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Office of the
Deputy Prime Minister

Creating sustainable communities

Research Report 20

Evaluation of the Deprived Urban Post Office Fund

Final Report for the Neighbourhood Renewal Unit at the
Office of the Deputy Prime Minister



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Executive Summary

Background to the Deprived Urban Post Office Fund

Launched in December 2002, the Deprived Urban Post Office Fund (DUPOF) was a £15m fund administered by the Neighbourhood Renewal Unit (NRU) to provide grants of up to £50,000 to sub-postmasters in the most deprived areas of England to help them refurbish and diversify their businesses. It was aimed at reducing the risk of closure of those branches in deprived urban areas which were not designated for closure as part of the Post Office Ltd's Urban Network Reinvention Programme. The DUPOF grants were implemented in two phases:

- *Phase One*, starting in February 2003, with only post office branches in the 10% most deprived wards that were also over half a mile from the nearest alternative branch being eligible to apply.
- *Phase Two*, starting in August 2003, with branches in the 10% most deprived wards that were half a mile or less from their nearest neighbour also becoming eligible.

To be successful, applicants to the DUPOF were required to demonstrate that their branch was at risk of closure within two years and that grant funding would have a significant beneficial impact on the viability of the business within two years. Sub-postmasters wishing to apply were required to first seek advice from a business advisor through the National Federation of Sub-Postmasters. This advice was free to all sub-postmasters in the most deprived wards and was funded by the DTI's Phoenix Fund. Applicants were further encouraged to seek advice from local Crime and Disorder Reduction Partnerships and the Post Office's Sales Account Managers.

Evaluation methodology

In August 2003 the Centre for Enterprise and Economic Development Research at Middlesex University was commissioned by the Neighbourhood Renewal Unit to evaluate the DUPOF. The objectives of the research were to carry out:

- (i) A detailed analysis of the characteristics of applications based on data gathered during the application process.
- (ii) An assessment of the application process including the clarity of the application procedure, and the role of business advisers and other sources of support.
- (iii) An evaluation of the impact of the DUPOF assistance, taking into account its direct effect on the viability of the enterprise alongside the wider implications for the local economy and the local community.
- (iv) A follow-up enquiry to assess the longer-term effects on the business, local economy, and local community.

The findings presented in this report are based on:

- (i) An analysis of the Applications Database compiled by NRU in the course of administering the Fund, based on 461 applications received by the end of the programme.
- (ii) A telephone survey of 108 sub-postmasters who had successfully applied to the Fund to gather data on impacts on the business, customers, other local businesses and the wider community.
- (iii) A follow-up telephone survey with 51 sub-postmasters, particularly to enable the assessment of longer-term impacts of the DUPOF assisted improvements.
- (iv) Case studies of twelve DUPOF assisted sub-post offices, comprising interviews with: the sub-postmaster; general public and business customers; general public and business non-users.
- (v) Case studies of four sub-post offices located in urban deprived areas that had recently closed, comprising interviews with general public and business ex-users of the closed branch.
- (vi) Statistical analysis of the DUPOF in the context of the Urban Network Reinvention Programme, comparing the rates of post office closures in deprived and non-deprived wards in the North West region and comparing the take-up of DUPOF assistance against the number of closures.

Analysis of applications

There were 461 applicants to the scheme, nearly three-quarters (74%) of which were awarded grants. The key results of analysing the NRU's Applications Database are:

- The main reasons why applicants considered that their businesses were at risk of closure were declining income, declining profitability, and a declining customer base. Phase Two applicants appear to be most at risk of closure, which accords with their experience of greater levels of local competition.
- There was a wide range in the total cost of projects, with an average grant size of £43,351. On average, applicants received 86% of the funding applied for.
- Any matched funding came primarily from private sources, with very little coming from other public funds.
- The most common proposed changes to the business involved extending or introducing groceries and/or stationery, although there were a significant number of more novel and innovative forms of diversification.
- The main proposed expenditure involved the refurbishment of premises followed by improved security. More than half (57%) of the funds awarded were spent on shop refurbishment and more than eight out of ten applications included improvements to security.

- Just three regions – the North West, Yorkshire & Humberside, and the North East – dominated the application process in Phase One. In Phase Two the West Midlands also received a high proportion of applications. Overall, during both Phases, more than four-fifths of applications came from these four regions.
- More than half of applicants (both Phases) were located within half a mile or less of the nearest competitor business that offered similar goods and services (not necessarily another post office).
- The average time taken to process applications was 20 weeks, although since December 2003, when the numbers of applications increased rapidly, applications tended to take longer to process.

The impact of the DUPOF: survey and case study findings

Evidence from the original telephone survey of successful sub-postmasters and the follow-up survey together with more detailed findings from the DUPOF and closure case studies was used to assess the impact of the Fund on assisted businesses, customers and the wider local economy and community.

Impact on assisted post offices

- At the time of the first survey of sub-postmasters, 61% reported an increase in numbers of general public customers since the time of the DUPOF assisted alterations, whilst 20% experienced 'no change' and the remaining 19% a decrease. By the time of the follow-up survey, growth in customer numbers had tailed off, with only 36% reporting an increase and 42% reporting a decrease since the time the original DUPOF alterations were made.
- There has been a clear upward trend in business customers, with 59% of sub-postmasters reporting an increase since the DUPOF alterations in both surveys.
- Three quarters of all sub-postmasters surveyed had experienced an increase in sales turnover since the DUPOF alterations for the business as a whole, whilst 12% had experienced a decline. Retail sales turnover was more likely to increase than PO turnover, with a third of post offices experiencing a decrease in the latter. The follow-up survey showed that the proportion of post offices experiencing an increase in overall sales turnover was less over the longer period of time since completing the alterations (65% compared with 75%).
- Data from both surveys suggests that, on average, at least one fifth of total sales turnover could be linked to the DUPOF improvements, based on the reported views of sub-postmasters.
- Another common factor leading to an increase in numbers of customers and sales turnover in many post offices was the recent closure of another branch in the locality under the Urban Network Reinvention Programme. This was identified in two thirds of cases, with an estimated average increase in the number of customers of around 16% (median 13%) and an increase in sales turnover of 14% (median 10%).

- In those cases in the follow-up survey that identified the effects of closures as well as the DUPOF improvements, it was notable that the proportion of current sales that sub-postmasters felt were due to DUPOF rose to 35%, with increased turnover generated from other branch closures representing 15%. This suggests that DUPOF and the impacts of neighbouring branch closures were having a combined effect on many post offices, but also that the DUPOF grant was having the larger impact in these cases.
- With regard to profitability, nearly two thirds (64%) identified some increase in profitability since receiving the DUPOF grant although only half identified such an increase in the follow-up survey, suggesting a worsening of performance in some assisted sub-post offices.
- In the follow-up survey most (80%) identified the positive effect of the DUPOF grant as the main factor affecting business performance since the previous interview. An increase in customers due to local branch closures was identified in a quarter of cases and a smaller proportion (6%) mentioned the role of other improvements. The main negative influence identified was the continuing loss of customers to the PO side of the business, identified in one third of cases.
- Further analysis of a subset of sub-post offices which took part in both surveys shows three distinct groupings:

Group 1: which experienced a consistent increase in both PO and retail sales (35% of the subset), with a combination of post office closures and DUPOF improvements given as the main reason for increases in PO sales in most of these cases.

Group 2: which experienced a decrease in PO sales on the one hand but an increase in retail sales on the other (41% of the subset). In over half of these (55%) the growth in retail sales more than compensated for the decline in PO sales, resulting in an overall increase in sales turnover.

Group 3: which experienced decline in both retail and PO sales (10% of the subset).

- A measure of the additionality of the DUPOF grant is the evidence that 58% of sub-postmasters said that the improvements would not have gone ahead at all without the DUPOF grant and a further 22% who indicated that they would still have gone ahead but on a reduced scale.

How the business advice received by DUPOF applicants was valued

Sub-post masters in the follow-up survey were also asked about the value of the business advice received in support of their application to the DUPOF.

- Two thirds (67%) had found the business advice to be of 'great value' in terms of assisting with the production of the business plan and providing direction. Nearly a third (29%) had found the advice to be of 'some limited value', while only two cases felt that the advice had been of 'no value whatsoever'.
- Similarly, two thirds (65%) found that the business plan produced to support their application had been useful for the longer term development of their business, while only eight cases (16%) found the plan to be of 'no use whatsoever' in this respect.

Impact on customers

The evaluation also examined the extent to which customers had benefited and whether the grant supported improvements had encouraged them to make greater use of the post office.

- The survey of customers showed that one fifth of them spent more at the case study sub-post offices since the DUPOF assisted improvements, while the majority (78%) thought their spending was about the same. General public customers (24%) showed a greater propensity to increase spending than the business customers surveyed (11%).
- Case study evidence showed that the transfer of customers from post office closures in the locality under the Urban Network Reinvention Programme had contributed to the improved prospects of DUPOF funded branches. One fifth of customers interviewed indicated that they had changed post office within the previous two years and of these, 35% had changed because their local branch had closed. There was also evidence that the DUPOF funded improvements had been important in enabling branches to cope with customer migration.
- Almost one third of customers interviewed said that they felt safer using the post office since the DUPOF improvements, particularly those from ethnic minorities, young people under 25, female customers, and the elderly and disabled. Feelings of improved security were greatest in those cases with the highest levels of expenditure on security.
- Levels of crime and vandalism experienced by nearby businesses (users and non-users) were largely unchanged, with only 7% reporting a reduction in crime and vandalism.
- With regard to further improvements that could be made that would encourage greater use of the DUPOF assisted post offices, only one fifth of general public respondents made such suggestions, mainly relating to a wider range of PO services, a wider range of retail goods, and longer opening hours and a speedier counter service. A greater proportion of business customers (28%) offered suggestions for improvement. These mainly related to a need for a wider range of PO services, improved opening hours and a speedier counter service.

Impact on the local economy

- Projecting from the survey evidence, it is estimated that the DUPOF has saved about one thousand jobs and created over 300 additional jobs in sub-post offices in the most deprived urban areas. In addition, much of the work associated with the DUPOF improvements has benefited local building contractors and suppliers, although this is a one-off short-term impact.
- Other local businesses have benefited from the DUPOF assisted improvements, with nearly a third (29%) of customers surveyed saying they now spent more at other shops in the neighbourhood.
- Nearly a third (29%) of local businesses considered that the goods and services provided by the DUPOF assisted post office complemented their own trading activities and that they had benefited through being able to attract passing post office customers. Complementarities with other local businesses appear to be greater than any displacement effects.

- Very few businesses have been adversely affected by increased competition as a result of the DUPOF improvements, although a minority that had been affected were particularly vociferous about the negative impact on their businesses.
- In the closure case studies, one fifth of businesses interviewed had suffered some decrease of sales turnover as a result of the closure of their local branch, while nearly half felt there had been a negative impact on the prospects for small businesses in general in the locality.

Impact on the local community

- Two thirds (67%) of general public customers surveyed felt that the alterations had improved their access to goods and services; for business users, less than half (46%) felt that the quality and range of services had improved. Only a fifth (22%) of customers surveyed had made use of the new services, with general public respondents more likely to use them (24%) than business respondents (15%).
- More than half (56%) of general public users agreed that they were now more likely to meet people they knew in the post office than before the DUPOF improvements, with 44% feeling strongly about this issue.
- The closure case studies confirmed the extent to which local branch post-offices were valued by local people and businesses, and the importance of a nearby branch for the elderly and those with disabilities in particular.
- Most ex-users said that closures had had a negative impact on the 'sense of community' in their local area, while most no longer saw people they knew as a result of closures. The negative impact of closures was particularly felt by the elderly and less mobile.
- Three quarters of customers surveyed for the DUPOF case studies said they would be 'very' or 'fairly inconvenienced' if their local post office were to close.

Explaining variations in impact between DUPOF case studies

Further analysis of the case studies was conducted in order to help explain how diversification efforts can be dependent on a number of factors, most notably relating to the scale and nature of the improvements made and the nature of the locality and competitive context. This showed that:

- Diversification efforts have been most successful where the expanded activities were complementary to the existing PO and retail services offered and also to those offered by other local businesses.
- Characteristics of localities which favoured improved performance were proximity of the branch to other local shops and services, thus providing a strong customer base, and also migration of customers from nearby post office branch closures. More negatively, highly competitive local retail environments clearly limited the potential for improved performance in some locations.

The DUPOF in the context of the Urban Network Reinvention Programme

The DUPOF needs to be viewed alongside the Urban Network Reinvention Programme (UNRP) as these policies were intended to form a co-ordinated approach to the drive to restructure the post office network in urban areas. In order to help assess the DUPOF within the wider context of UNRP, an analysis was conducted of PO closure rates since 2002 within one region, the North West, and compared with the incidence of the DUPOF assistance. The analysis was conducted at the scale of all the urban wards within the North West region and also for the urban wards within ten of the largest local authorities within the region.

- Given the influence of the DUPOF, together with the commitment of the Post Office Ltd to close only in exceptional circumstances those branches in the 10% most deprived areas with no other branch within half a mile, we would expect closure rates to be lower in the 10% most deprived urban wards compared to those where DUPOF does not apply. The average number of post office closures in deprived wards over the 2002-05 period was six per 100,000 people compared with seven in non-deprived wards.
- Of the total number of 24 branches open per 100,000 people in 2002, six subsequently closed, five received funding from DUPOF, and the rest remained open without DUPOF assistance.
- Whereas there were marked differences in 2002 between the ten largest local authorities in terms of the number of post offices per 100,000 people, these had narrowed by 2005 due to differences in closure rates, resulting in greater uniformity in the density of post offices in relation to the population.
- There were substantial variations in the uptake of DUPOF between the ten largest local authorities, ranging from 5 to 13 DUPOF assisted branches per 100,000 people.
- It is clear that the DUPOF has assisted a good proportion of POs in deprived areas and, along with UNRP, helped maintain a larger network than in other areas. A longer time interval is ideally required, however, to fully assess the combined effect of the UNRP and the DUPOF on the viability of the post office network in deprived urban areas.

Conclusions

- The overall findings confirm that in the majority of cases the DUPOF has had a positive impact in terms of profitability, and job retention and creation. Hence nearly two thirds of sub-post masters reported an increase in profitability, and projections from the survey evidence suggest that DUPOF has saved about one thousand jobs and created over 300 additional jobs in post office branches in deprived urban areas. The study has also provided detailed evidence of benefits for both local economies and local communities.
- At the same time, however, evidence from the follow-up survey of declining impact and of on-going decline in PO sales turnover in nearly half of those surveyed suggests that the longer term profitability and viability of all sub-post offices in deprived areas is not necessarily ensured.
- Marked variations in impact between case studies were apparent. Such variations were broadly explained by reference to the nature of the improvements made and the local contexts within which post offices have to compete for customers.

- The experience of the DUPOF and insights from the evaluation study have informed the development of a *Good Practice Guide for Post Office Diversification*. The Guide is aimed at helping sub-postmasters who have not had the benefit of DUPOF to diversify and expand their activities in order to improve the long-term viability of their businesses and the contribution they make to local communities. It does this by providing:
 - A framework for stimulating creative thinking about how to approach and plan for diversification that is also realistic with respect to constraints and obstacles that variously affect sub-postmasters and the potential of their businesses in different contexts;
 - Practical suggestions for dealing with specific issues typically encountered when planning for diversification and implementing change; and
 - Recommendations with respect to other sources of information, advice and support.

Chapter 1: Introduction

1.1 Background to DUPOF

The reduction in neighbourhood retailing over the last decade has particularly affected deprived urban areas, with shopkeepers facing the additional problems of antisocial behaviour and higher crime levels. The effect has been that these communities have restricted access to the full range of goods at competitive prices. In response to this situation, the Government has made a commitment as part of its strategy for neighbourhood renewal to improving shopping access in deprived areas¹. There are numerous benefits that thriving local shops can bring to their local communities, including providing employment, new skills and training opportunities, as well as providing a range of quality goods, including fresh food, at affordable prices.

It is against this context that the role that post offices play in deprived urban areas has received increasing attention in the last few years. The Performance and Innovation Unit (PIU) report 'Counter Revolution'² found that post offices in particular have the potential to contribute a great deal to their communities and to reviving local retailing. In addition to their role as a place to conduct transactions, post offices often act as a focal point for the community, regularly providing support and advice to the poorer and more vulnerable members of the local community in particular. The PIU report recognised that in the case of deprived urban areas there was a valid argument for public support to help sustain post offices. However, the density of post offices in these areas was found to be often greater than in other urban areas, with too many branches competing for too little business. While the income from the post office is sufficient to stop many sub-postmasters going out of business, many outlets are in poor condition and in need of investment. Often the sub-postmasters running these outlets were found to be keen to sell the business but were unable to find a purchaser. Other developments were also found to be adversely affecting the viability of sub-post offices, especially the switch towards the payment of benefits via bank transfer and direct debit. Therefore the challenge for the Post Office, as identified in the PIU report, is to transform these struggling local stores into vibrant local enterprises.

The Urban Network Reinvention Programme (UNRP) and the Deprived Urban Post Office Fund (DUPOF) form part of a co-ordinated response to the PIU's recommendations. The UNRP is designed to restructure the post office network by closing, relocating and modernising certain branches, including combining post offices with existing successful retail businesses, with the aim of achieving a commercially viable network in urban areas. A total of £210 million was therefore earmarked for this DTI programme, £180 million of which was aimed at compensating those sub-postmasters who wished to relinquish the post office side of their business, and the remaining £30 million being available to fund improvements in those branches remaining within the network. The UNRP began in November 2002 with the expectation that a third of the 9000 urban post offices would close down over a three year period. However, in recognition of the key role that post offices can play in neighbourhood renewal, the Post Office made a commitment to only in exceptional circumstances close those branches in the 10% most deprived urban with no other branch within half a mile.

¹ Cabinet Office, Social Exclusion Unit (2001), *A New Commitment to Neighbourhood Renewal Strategy Action Plan*, page 9, para 19.

² Cabinet Office, Performance and Innovation Unit (2000) *Counter Revolution: Modernising the Post Office Network*.

The DUPOF was therefore created in order to contribute to the regeneration and renewal of deprived urban areas in England by improving and sustaining post office branches. Launched in December 2002, the £15m Fund has been administered by the Neighbourhood Renewal Unit (NRU) and provides grants of up to £50,000 to sub-postmasters in the most deprived areas of England to modernise their branches through investing in new retail facilities, shop alterations, and improved security. As such, it was aimed at reducing the risk of closure of those branches in deprived urban areas which have not been designated for closure as part of the Urban Network Reinvention programme.

In order to ensure that the Fund was targeted at the most deprived areas, the original intention was to make the grants available in three phases. In the first phase, which began in February 2003, only post office branches in the 10% most deprived urban wards, that were also over half a mile from the nearest alternative branch, were eligible to apply. During the second phase, which began in August 2003, branches in the 10% most deprived wards that were half a mile or less from their nearest neighbour also became eligible. Any remaining funds were due to be made available in a third phase covering branches in the 20% most deprived wards. However, in the event, all of the Fund was taken up by the first two phases this being due to the high volume of applications and the higher than anticipated average size of grant awarded. Thus the grants have all gone to sub-postmasters from the higher priority 10% most deprived wards. To be successful, applicants needed to be able to demonstrate that branches would be at risk of closure within two years, and that grant funding would have a significant beneficial impact on the viability of the business within two years.

Sub-postmasters wishing to apply for funding from the DUPOF were required to first seek advice from a business advisor through the National Federation of Sub-Postmasters (NFSP). This advice was free to all sub-postmasters in the most deprived wards and was funded by the DTT's Phoenix Fund. Applicants were further encouraged to seek advice from local Crime and Disorder Reduction Partnerships and PO Retail Line Managers.

1.2 Aims and objectives

The aim of this evaluation has been to assess the impact of the DUPOF on the assisted sub-post offices, and also their surrounding local economies and local communities. The evaluation was also required to highlight wider lessons regarding the role of sub-post offices and small retail businesses in neighbourhood renewal.

Specifically, the objectives of the research were to carry out:

- i. a detailed analysis of the characteristics of applications based on data gathered during the application process (including characteristics of applicant sub-postmasters; a profile of grant sizes; the allocation of funding between different areas of expenditure; and factors associated with unsuccessful applications);
- ii. an assessment of the application process including the clarity of the application procedure, and the role of business advisers and other sources of support;
- iii. an evaluation of the impact of the DUPOF assistance, taking into account its direct effect on the sustainability of the enterprise alongside the wider implications for the local economy and the local community;
- iv. a follow-up enquiry to assess the longer-term effects on the business, local economy, and local community.

1.3 Methodology

In this section we describe the various methods and data sources that were employed to obtain the data required to meet the above objectives. The research was organised in the following three phases.

Phase One: Analysis of the Applications Process

(i) Analysis of the Applications Database

This involved an analysis of the database compiled by the NRU in the course of administering the Fund. The analysis was conducted on three occasions during the implementation of the DUPOF programme, the first being in October 2003 based on the 45 applications received during the first six months of the programme, the second in March 2004 based on the 253 applications received during the first year of the programme, and finally, an analysis of the total of 461 applications received by the end of the programme. It is this final analysis which is presented as part of this report (chapter 2).

The database enables us to analyse the regional distribution of applicants, the type of work undertaken as a result of the DUPOF grant, the rate of success, variations in the pattern of applications over time, the length of time taken to process applications, the size of grants awarded and expenditures on the various types of work, and reasons for the risk of closure.

(ii) Assessment of the Applications Process

As well as the analysis of the application data, an assessment was undertaken early on in the evaluation project of the application process with the aim of identifying potential areas for improvement and examples of good practice that could be fed back into the process at an early stage. This included consideration of the extent to which sub-postmasters were satisfied with the level of support available during the application process, particularly that from the business advisers affiliated to the NFSP. For this purpose telephone interviews were undertaken during September 2003 with 15 successful applicants from the first phase of DUPOF. In addition, interviews were held during August 2003 with 10 business advisors who were selected by the NFSP out of their pool of 27 advisors. The questions related to their views on the promotion and awareness of the scheme amongst eligible sub-post offices, the problems faced by sub-postmasters, and views on the benefits of the scheme and recommendations for improving its operation.

Telephone interviews were also undertaken with 12 sub-postmasters who had unsuccessfully applied for a DUPOF grant. It was originally intended to conduct these interviews at the same time as the interviews with successful applicants, but this was not possible due to all applicants in the first six months of the programme having been successful. Interviews with the unsuccessful applicants were therefore delayed until October 2004. As well as asking sub-postmasters about their motivations for applying to the DUPOF, the interviews provided insight into their experience of the application process and their views of the support available to facilitate the application. The implications for the business of not receiving the grant were also considered.³

³ The work relating to the applications process has been reported separately, although key findings are referred to where they help to inform the analysis presented in the main report. The detailed insight provided by this work has particularly informed the production of the Good Practice Guide.

Phase Two: Evaluation of the Impact of DUPOF

The main phase of the research was concerned with evaluating the impact of the DUPOF in terms of its direct effect on the longer term viability of the assisted businesses and in terms of its wider implications for the local economy and the local community. The following are examples of the key questions that the evaluation was asked to address:

The Post Office

- a. Taking the wider economic context into account, to what extent has the DUPOF increased long-term viability and reduced the risk of closure for deprived urban post offices?
- b. What have been the specific impacts of the DUPOF on post office revenue, profit and customer transactions?
 - (i) How are changes in these factors distributed among the post office operation and any other retail activity?
 - (ii) How, if at all, do changes in these factors relate to levels of fund spend?

The Local Economy

- a. In cases where the Fund has been used to add new retail facilities (or other services), has new merchandise tended to complement or substitute the goods offered by other local retailers?
- b. In cases where the Fund has been used to enhance security arrangements, has there been any beneficial impact on neighbouring retail outlets?
- c. Is there any evidence of an impact, positive or negative on other local businesses?

The Local Community

- a. In what ways and to what extent has the DUPOF met community needs for improved access to retail and other services in deprived areas?
- b. What are the views and attitudes of customers and non-customers towards local post offices and related retail activity and what are their feelings about possible post office closures?

There were three main components to this evaluation phase:

- (i) Telephone survey of sub-post offices

A telephone survey was conducted of 108 successful DUPOF applicants, drawn from both phase one and phase two of the DUPOF programme. The sub-post offices were purposively selected to ensure representation of different types of business, in different regions and also different types of grant aided projects. Each selected sub-postmaster was sent a letter prior to being contacted by telephone explaining the purpose of the study and requesting an interview. This contributed to achieving a very high response rate: 92 per cent.

The interviews covered:

- Services provided (both PO and non PO services) and who uses them including new types of service;
- The external and internal factors or events affecting the performance of the business;
- The kinds of alterations made using the DUPOF grant;
- The types of new services introduced as a result of DUPOF;
- Changes in business performance (sales turnover and profitability) since receiving the grant;
- Number of jobs safeguarded and/or created;
- Changes in the risk of crime and vandalism;
- Sourcing of supplies relating to the DUPOF alterations and new goods and services;
- The effects on other local businesses, including any evidence of displacement;
- Perceptions of additionality (i.e. would they have done what they did without the funding);
- Perceived benefits to the community, including goods and services not previously available.

The questionnaire for these telephone interviews can be found in Appendix IA.

(ii) Case studies of DUPOF assisted sub-post offices

In order to provide a more detailed assessment of the impact of the DUPOF grant, twelve assisted sub-post offices were selected for a more detailed evaluation. As well as a face-to-face interview with the sub-postmaster, a sample survey was carried out of both general public and business users in order to obtain information on changes in their use of the sub-post office and their views of the alterations. A number of interviews were also carried in each location with both general public and business non-users of the assisted sub-post office.

The selection of the case studies was undertaken in consultation with the NRU and the Post Office and were distributed across the regions according to the regional pattern of DUPOF applications. A short profile of each of the case studies can be found in Chapter 4, section 4.2.2 and more detailed descriptions in Appendix IV. The fieldwork for the case studies was conducted between November 2003 and October 2004.

The target quotas for face-to-face interviews in each of the case study locations were:

- 1 interview with the sub-postmaster;
- 20 interviews with local community residents using the post office;
- 10 interviews with the local business owners using the post office;
- 10 interviews with local community residents not using the post office;
- 5 interviews with local business owners not using the post office.

The main issues covered in the interviews with local residents and businesses were:

- The services used and the frequency of use compared to before the alterations;
- Levels of spending both before and after the alterations;
- Quality and range of services and products offered;
- Perceptions of safety both before and after the alterations;
- Views about how the post office contributes to the community and the local business environment.

The questionnaires for general public and business users and non-users can be found in Appendices IIA and IIB.

(iii) Case studies of closed sub-post offices

In order to provide a counterfactual situation to help in assessing the additionality arising from the DUPOF grant, the twelve DUPOF case studies were compared with four case studies of deprived neighbourhoods where a sub-post office had recently closed. The intention was to select closed sub-post offices from the same towns/areas as the DUPOF assisted case studies, although this was not always possible as the selection was constrained by issues raised by the Stakeholder and Regulatory Affairs Department of the Post Office Ltd. Background information on each closure was obtained from the relevant sub-post offices' sales account manager and a short profile of each of the four closure case studies can be found in Chapter 4, section 4.7.2. The fieldwork for the closure case studies was conducted between November 2003 and September 2004.

The following interviews were carried out on a face-to-face basis in each of the four localities:

- 20 interviews with residents who previously used the closed post office;
- 10 interviews with local business owners who previously used the closed post office.

The main issues covered were:

- The types of services used from and the frequency of use;
- Alternatives used since the post office closure;
- The types of services they use at alternative post offices;
- Perceptions of the quality of services provided at alternative post offices compared with those at the closed post office;
- Levels of spending now compared with at the closed post office;
- Perceptions of safety now compared with previously;
- Views about the impact of the closure on the local community;
- Views about the impact of the closure on local businesses.

The questionnaires for these interviews with former general public and business users of the closed sub-post office can be found in Appendix IIIA and IIIB.

Summary of Evaluation Indicators

Table 1.1 summarises the main evaluation indicators that were obtained from the telephone surveys and case study interviews, relating each of these to the goals and objectives of the DUPOF.

Phase 3: Follow up inquiry and lessons for good practice

Follow-up survey

Since the telephone interviews with successful DUPOF applicants were conducted only a short period after the completion of the work (a minimum of 3 months), a follow-up telephone survey of 51 of the previously interviewed sub-postmasters was conducted after a longer period had elapsed since completion of the DUPOF work. This enabled longer-term impacts on the performance of the business to be assessed, as well as giving a further opportunity to obtain sub-postmasters views about the local economy and community impacts. The questionnaire used for this follow-up survey (see Appendix IB) was similar to that used in the original survey, although it contained more questions designed to estimate the additionality of DUPOF and an extra section on business sustainability, including questions about possible changes in the sub-postmasters approach to running the business as a result of their experience of DUPOF.

Statistical analysis of post office closures

As discussed in section 1.1, the DUPOF has been one part of a co-ordinated response to the need to restructure the urban post office network, the other component being the Post Office's UNRP. In order to help relate the DUPOF to this context, a statistical analysis was carried out of the Post Office's branch closure data for urban wards within the North West region. This region was chosen as it had the highest proportion of DUPOF applicants. This analysis was conducted for the region as a whole and for the largest urban areas within the region, comparing the rates of post office branch closures in deprived and non-deprived urban wards, and comparing the take-up of DUPOF assistance against the number of branch closures.

Good Practice Guide

One further output from the project has been the production of a Good Practice Guide for sub-post offices that draws upon the lessons derived from the surveys of successful DUPOF applicants and insights from the case studies. The guide is designed to encourage and help other sub-postmasters in urban areas to diversify and expand their activities in order to improve the long-term viability of their businesses and the contribution they make to local communities. A copy of the guide is included as Appendix V.

1.4 Structure of report

The report is structured around the various components of the methodology. Chapter 2 gives an overview of the DUPOF by presenting the results of the analysis of all the applications made to the Fund, based on the NRU's database. Chapter 3 is concerned with the analysis of the survey of successful DUPOF applicants including the results of the follow-up survey. Chapter 4 is then devoted to the analysis of both the DUPOF and closure case studies, and Chapter 5 presents the results of applying an impact scoring matrix to each of the case studies to identify those DUPOF improvements having the greatest impact on business performance, the local economy and local community. Chapter 6 focuses on the North West region, presenting an analysis of the DUPOF in the context of urban post office branch closures throughout the region. The final chapter summarises the main conclusions of the evaluation, drawing out the main lessons that can be derived from the experience of the DUPOF which might inform future policy initiatives aimed at strengthening the role of retailing service businesses in neighbourhood renewal.

Table 1.1: Evaluation indicators used in surveys and case studies

| | Indicator | Measurement in telephone survey | Measurement in case studies |
|--|---|---------------------------------|---|
| Goal: Regeneration and renewal of deprived areas through improving local shopping provision and a full range of goods at competitive prices | New retail facilities and services being offered (with an assessment of displacement locally) | View of sub-postmaster | View of sub-postmaster Observation by researchers access to Survey of customers |
| | Increased use (frequency, different uses, and amount of spending) by local people and businesses as reflected in sales turnover and number of customers | View of sub-postmaster | Survey of customers View of sub-postmaster |
| | Local multiplier effects through supplying and sourcing from local firms and spending of employees incomes | View of sub-postmaster | Survey of other local businesses Survey of post office employees |
| Use the post office as a community focal point | Sustaining or increasing the number of customers from deprived areas and disadvantaged groups | | Estimation of sub-postmaster |
| | Extent of community involvement, building linkages and complementarities with other local businesses | | View of sub-postmaster Survey of business customers |

Table 1.1: Evaluation indicators used in surveys and case studies (*continued*)

| | Indicator | Measurement in telephone survey | Measurement in case studies |
|--|---|--|--|
| Objective: Reduce the risk of closure of post offices through increasing their customer base and profitability | Number of post office branches that close in deprived urban areas | | |
| | Change in sales turnover, profit and number of customers | Estimation of sub-postmaster and comparison to baseline information in application | Estimation of sub-postmaster and comparison to baseline information in application |
| | Change in quality of life of sub-post masters | Estimation of sub-postmaster | Estimation of sub-postmaster |
| | Extent of leveraging of other sources of finance | View of sub-postmaster | |
| Outputs: Maintain, modernise and expand branches through: new retail facilities, shop alterations, IT equipment | Perceived benefits from the investment | Views of sub-postmaster | Views of sub-postmaster Views of customers |
| Security measures | Perceived benefits. Reductions in the incidence of crime. | | Reported by sub-postmaster and customers |

Chapter 2: Analysis of Applications

2.1 Introduction

This chapter provides an overview of the allocation of the DUPOF by presenting an analysis of the data collected by the NRU as part of managing the application process, the data being drawn from the application forms submitted by sub-postmasters and supporting materials such as the reports submitted by the Phoenix Fund business advisors. This enables us to analyse the regional distribution of applications, various aspects of the application process including variations in the volume of applications over time, the reasons for applicants being at risk of closure, the intended changes to the provision of goods and services, the type of work proposed, and the size of grant awarded in relation to the type of work undertaken.

The analysis relates to the 461 applications received up until the end of the programme, broken down into those that fall within Phase One (28%) and Phase Two (69%). During Phase One, only those sub-post offices located in the 10% most deprived wards with no other post offices within half a mile were eligible to apply. However, after June 2003, the 'half mile' criteria was relaxed and all sub-post offices within the top 10% most deprived wards were allowed to apply. The remaining 3% of applications were designated as being in Phase 3 of the programme (i.e. in the 20% most deprived wards), but this phase did not go ahead in the end as the funds were largely exhausted during the two previous phases.

2.2 Characteristics of DUPOF applicants

2.2.1 Type of post office contract of applicants

The majority of applicants were running a single sub-post office at the time of making an application, 71% of them owning only one post office and just 6% owning two or more post offices. Interestingly, almost a quarter (23%) of applicants did not own a post office at the time of making their application, suggesting that the DUPOF has been particularly relevant to those people in the process of buying or starting a sub-post office. In terms of type of contract with the Post Office, almost all applicants (93%) have a 'sub-postmasters' contract, with 6% having a 'sub-postmasters modified' contract, and just one applicant having an independent retailer agreement.

2.2.2 The regional distribution of applicants

Table 2.1 shows the regional distribution of the 461 applicants, broken down into the two phases. In Phase One almost three-quarters (74%) of applicants were drawn from just three regions: the North West, Yorkshire and Humberside and the North East. It also shows the regional distribution of applicants in relation to the total number of eligible post offices. A disproportionately high concentration of Phase One applicants came from the North West (34% compared with its 23% share of eligible post offices), whereas in comparison the North East, East Midlands and South West generated fewer applications than might have been expected.

In Phase Two the regional distribution had a similar regional skew, with the North West maintaining the highest representation (30%) and Yorkshire and Humberside the second highest level (23%). The West Midlands increased its share of applicants to 15%, whilst the North East's share fell to 12%. Together, these four regions accounted for more than four-fifths

(81%) of all Phase Two applicants. However, in Phase Two the proportion of applicants from London increased substantially to 8.5%, although this was still well below its proportion of eligible applicants (19%).

Table 2.1: Geographical distribution of applicants and total number of eligible sub-post offices

| | Phase 1 | | Phase 2 | | All Phases |
|-----------------|--------------|---------------|--------------|---------------|--------------|
| | Applied | Eligible SPOs | Applied | Eligible SPOs | Applied |
| | N=128 | N=389 | N=319 | N=1013 | N=461* |
| Region | % | % | % | % | % |
| East Midlands | 6.3 | 11.4 | 5.6 | 4.9 | 5.6 |
| East of England | 2.3 | 2.8 | 1.6 | 3.0 | 1.7 |
| London | 2.3 | 3.1 | 8.5 | 19.1 | 6.7 |
| North East | 16.4 | 23.6 | 12.2 | 7.7 | 13.0 |
| North West | 34.4 | 23.1 | 30.4 | 29.9 | 31.0 |
| South East | 3.1 | 1.6 | 1.3 | 3.5 | 1.7 |
| South West | 1.6 | 4.4 | 1.9 | 3.3 | 1.7 |
| West Midlands | 10.2 | 8.5 | 15.4 | 16.1 | 13.9 |
| Yorks & Humber | 12.4 | 22.3 | 23.2 | 12.6 | 24.5 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

** The total number applying exceeds the numbers of Phase 1 and Phase 2 applicants as 14 applications were received from post offices that did not qualify under these phases, but would have qualified under Phase 3.*

2.2.3 Nature of proposed changes

The majority of the applicants (in all Phases) proposed changes to their retail activities, with the largest proportions extending or introducing groceries (43%) and/or stationery (38%). Nearly one fifth (17%) proposed no changes to any goods and services (i.e. including both the post office and retail aspects of the business), whilst one quarter (24%) proposed no changes to retail services and a similar proportion (26%) only proposed to make one change. In these cases a potential concern is that these applicants are continuing to offer a limited range of goods and services. However, overall, there is substantial evidence of diversification of the goods/services with a majority of applicants (57%) proposing at least two changes. More novel changes included the introduction of products such as pharmaceuticals, clothing, jewellery, and IT equipment, as well as new services such as take-away meals, dry cleaning, taxi services, film processing, photocopying/fax/e-mail facilities, ATM machines/cash points, club venues, and a tanning shop (Table 2.2).

Table 2.2: Introduction of new or expansion of existing goods and services proposed by sub-post offices

| Nature of activity | Phase 1 | | Phase 2 | | All Phases | |
|-------------------------------------|------------|------|------------|------|------------|------|
| | N | % | N | % | N | % |
| Stationery | 50 | 39.0 | 120 | 37.2 | 176 | 38.2 |
| Newspapers, magazines | 20 | 15.6 | 34 | 10.5 | 55 | 11.9 |
| Grocery | 56 | 43.7 | 135 | 41.9 | 196 | 42.5 |
| Off licence, tobacconist | 20 | 15.6 | 34 | 10.5 | 55 | 11.9 |
| Toys/gifts | 32 | 24.9 | 58 | 17.9 | 91 | 19.7 |
| General products | 31 | 24.2 | 76 | 23.6 | 109 | 23.6 |
| General services | 26 | 20.3 | 73 | 22.6 | 100 | 21.7 |
| Household items/electrical hardware | 8 | 6.2 | 20 | 6.2 | 28 | 6.1 |
| Pharmacy | 5 | 3.9 | 9 | 2.8 | 15 | 3.3 |
| No. of respondents | 128 | | 319 | | 461 | |

The database includes information about the distance between the applicant and competitors offering similar services or goods – including other post offices as well as other retailers/service providers. A very large proportion (88%) of applicants (in all Phases) stated that their nearest competitors were located within one mile of their premises, this being an indication of possible displacement effects of DUPOF funded expansions on local economies. However, it appears that this is possibly less of an issue for the Phase One applicants than for Phase Two applicants. Some 47% of Phase One applicants indicated that their nearest competitor was located within half a mile or less, while the corresponding figure for Phase Two applicants was 73%. Overall, Phase Two applicants appear to be located much nearer to their competitors than Phase One applicants, with the nearest competitor for one quarter (26%) of Phase One applicants being more than one mile away. This is an interesting difference and could be related to the relaxation of the half mile criterion (in Phase Two), given that if there is a post office within half a mile, there are likely to be other shops as well.

Table 2.3: Distance from nearest competitors

| Distance of the nearest competitor | Phase 1 | | Phase 2 | | All Phases | |
|------------------------------------|------------|--------------|--------------|--------------|------------|------------|
| | N | % | N | % | N | % |
| Less than ¼ mile | 17 | 18.5 | 26 | 11.8 | 44 | 13.8 |
| Between ¼ mile and ½ mile | 26 | 28.3 | 135 | 61.6 | 167 | 52.4 |
| Between ½ and 1 mile | 25 | 27.2 | 42 | 19.2 | 68 | 21.3 |
| More than 1 mile | 24 | 26.1 | 16 | 7.3 | 40 | 12.5 |
| Total | 92* | 100.0 | 219** | 100.0 | 319 | 100 |

* 36 of Phase One applicants did not respond to this question

** 100 of Phase Two applicants did not respond to this question

Table 2.4 shows the type of changes sub-postmasters proposed and the size of grant awarded. In the majority of cases, the funding was divided between several different but related types of work. Almost all the applicants applied for the grant in order to refurbish their premises (93%) and improve security measures (78%). More than half (62%) of applicants proposed 'other' types of work, while more than one third proposed to upgrade the PO counter and a similar proportion submitted a plan for a new retail/service facility.

More than half of the DUPOF has been spent on shop refurbishment (57%), with £8.3 million being allocated to this (with an average value of almost £26,000 per project). This is followed by 'other types' of work (12% of the Fund), amounting to £1.7 million and an average value of more than £11,000 per project, security measures (11%), amounting to £1.6 million and an average value of £6,000, and the introduction of a new retail facility (10% and £1.5 million), with this latter type of work requiring a comparatively high average value per project of almost £11,500.

Table 2.4: Amount of grant by type of changes proposed

| | Applicants proposing a change | | Amount awarded (n=339) | | |
|----------------------------|-------------------------------|--------------|------------------------|---------------|------------------------------|
| | N | % of cases | Total (£) | Mean (£) | % of Fund spent on each item |
| Security | 344 | 78.2 | 1,641,102 | 6,078 | 11.2 |
| Shop refurbishment | 407 | 92.5 | 8,294,949 | 25,841 | 56.8 |
| New retail facility | 159 | 36.1 | 1,460,171 | 11,497 | 10 |
| Advertising | 44 | 10.0 | 36,625 | 1,221 | 0.3 |
| Provision of IT facilities | 31 | 7.0 | 179,545 | 7,182 | 1.2 |
| Other | 272 | 61.8 | 1,744,863 | 7,755 | 11.9 |
| Upgrade of PO counter | 167 | 38.0 | 1,189,723 | 9,013 | 8.1 |
| Professional fees | 79 | 18.0 | 110,524 | 1,700 | 0.8 |
| Total | 440 | 100.0 | 14,657,505 | 43,237 | 100.0 |

2.3 Application process

Table 2.5 shows that out of a total of 461 applications received by the end of the programme (all Phases) nearly three-quarters (74%) had been approved, with just under a quarter (23%) being rejected. That leaves a further 3% which were still being processed at the time of writing, with no final decision having yet been made on them.

Table 2.5: Status of DUPOF applications by region (all phases)

| Region | Approved | | In Process | | Rejected | | Total | |
|-----------------|------------|-------------|------------|------------|------------|-------------|------------|------------|
| | N | Row % | N | Row % | N | Row % | N | Row % |
| East Midlands | 16 | 61.5 | 0 | 0 | 10 | 38.5 | 26 | 5.6 |
| East of England | 6 | 75.0 | 1 | 12.5 | 1 | 12.5 | 8 | 1.7 |
| London | 20 | 64.5 | 1 | 3.2 | 10 | 32.3 | 31 | 6.7 |
| North East | 49 | 81.7 | 0 | 0 | 11 | 18.3 | 60 | 13.0 |
| North West | 106 | 74.1 | 3 | 2.1 | 34 | 23.8 | 143 | 31.0 |
| South East | 6 | 75.0 | 1 | 12.5 | 1 | 12.5 | 8 | 1.7 |
| South West | 4 | 50.0 | 0 | 0 | 4 | 50.0 | 8 | 1.7 |
| West Midlands | 44 | 68.8 | 2 | 3.1 | 18 | 28.1 | 64 | 13.9 |
| Yorks & Humber | 88 | 77.9 | 7 | 6.2 | 18 | 15.9 | 113 | 24.5 |
| Total | 339 | 73.5 | 15 | 3.3 | 107 | 23.2 | 461 | 100 |

There were some regional variations in the approval rate, with the highest level of approvals being in the North East (82%) and Yorkshire and Humberside (78%). In comparison, the approval rate was much lower in London (65%) and the South West (50%), although there were only 8 applications in the latter case.

Table 2.6: Number of applicants per month (all phases)

| Month | Phase 1 applicants | | Phase 2 applicants | | All phase applicants | | | |
|--------------|--------------------|------------|--------------------|------------|----------------------|--------------|--------------------------|-------------------------------|
| | N | % | N | % | N | % | Mean weeks of assessment | D&T mean weeks of assessment* |
| Feb '03 | 1 | 0.8 | 0 | 0 | 1 | 0.2 | 16 | 3 |
| Mar '03 | 3 | 2.3 | 0 | 0 | 3 | 0.7 | 16 | 4 |
| Apr '03 | 6 | 4.7 | 0 | 0 | 6 | 1.3 | 10 | 5 |
| May '03 | 4 | 3.1 | 0 | 0 | 4 | 0.9 | 5 | 2 |
| Jun '03 | 9 | 7.0 | 1 | 0.3 | 10 | 2.2 | 9 | 3 |
| Jul '03 | 13 | 10.2 | 4 | 1.3 | 17 | 3.7 | 5 | 3 |
| Aug '03 | 17 | 13.3 | 2 | 0.6 | 19 | 4.2 | 8 | 2 |
| Sept '03 | 14 | 10.9 | 7 | 2.2 | 21 | 4.6 | 10 | 3 |
| Oct '03 | 14 | 10.9 | 15 | 4.8 | 29 | 6.3 | 12 | 4 |
| Nov '03 | 11 | 8.6 | 31 | 9.8 | 42 | 9.4 | 13 | 4 |
| Dec '03 | 4 | 3.1 | 39 | 12.4 | 43 | 9.4 | 16 | 4 |
| Jan '04 | 6 | 4.7 | 35 | 11.1 | 42 | 9.2 | 21 | 4 |
| Feb '04 | 4 | 3.1 | 34 | 10.8 | 41 | 9.0 | 27 | 8 |
| Mar '04 | 12 | 9.4 | 68 | 21.6 | 85 | 18.6 | 29 | 8 |
| Apr '04 | 4 | 3.1 | 37 | 11.7 | 45 | 9.8 | 27 | 4 |
| May '04 | 6 | 4.7 | 30 | 9.5 | 37 | 8.1 | 29 | 3 |
| Jun '04 | 0 | 0 | 12 | 3.8 | 12 | 2.6 | 34 | 3 |
| Total | 128 | 100 | 315 | 100 | 457 | 100.0 | 20 | 5 |

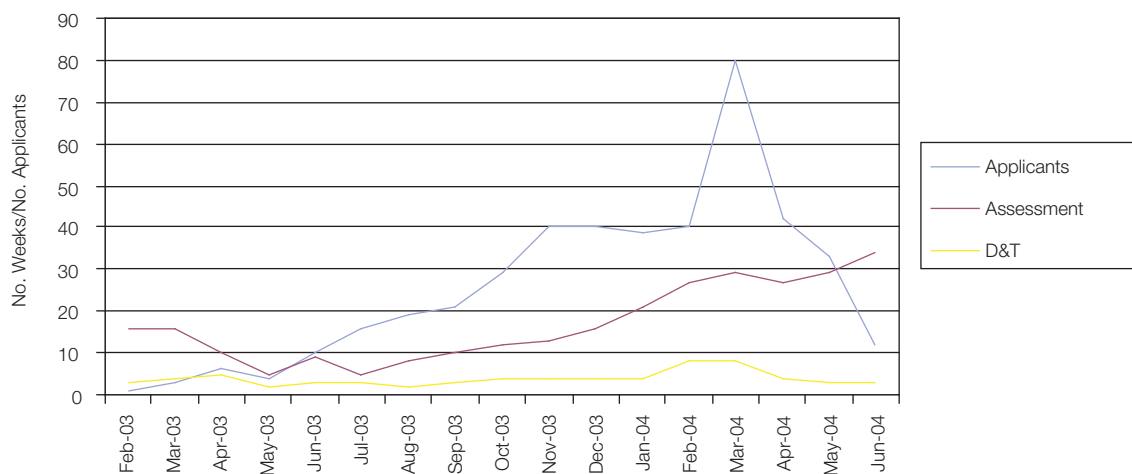
* Note: this relates to the financial appraisal conducted by Deloitte and Touche

Table 2.6 shows the number of applications received per month during the life of the DUPOF programme. It shows that it took several months for the programme to get off the ground, as there were less than ten applications per month for the first five months. Interviews with business advisors indicated that there were a number of reasons for the slow take-up of the programme, including various suspicions and misunderstandings that sub-postmasters had about the scheme in relation to the Post Office's Urban Network Reinvention Programme, as well as the time that it took to complete the necessary paperwork and to assemble the supporting documents. The monthly peak in Phase One applications (17) was reached in August 2003.

By the time Phase Two of the programme came on stream (August 2003), there was greater awareness of the DUPOF amongst sub-postmasters and an increasing readiness to apply for it. Thus the number of applications from Phase Two sub-post offices rose quickly and reached over 30 applications by November 2003. From then until April 2004 more than 40 applications were received per month, with a peak of 85 applications in March 2004 (almost a fifth of all applications). Since then, the numbers of applications tailed off, declining to just 12 applications by June 2004.

Table 2.6 and Figure 2.1 present data on the time taken to process the applications. For Phase One applicants, the number of weeks needed for the application to be assessed from the date the NRU received the application to the offer letter being sent off declined from 16 weeks, for the first application, to five weeks in May and July 2003, only to increase again after this time as the numbers of applicants increased. Overall, the average duration of assessment has been 20 weeks (Table 2.6). It is notable that the average assessment period has been exacerbated by some lengthy decision periods for borderline cases that were eventually rejected. Table 2.6 also demonstrates that the overall average assessment period for Deloitte and Touche to undertake their financial appraisal of each application was five weeks, but that this rose to eight weeks in February and March 2004, during a period when the numbers of applicants were particularly high.

Figure 2.1: Number of applicants per month, average number of weeks to complete assessment and average number of weeks to complete financial assessment



Note: All phases are combined for total number of applications

Source: Deloitte & Touche

In order to undertake work related to security, applicants were required to seek the advice from the PO Sales Account Manager (SAM) and were also encouraged to seek advice from the local Crime and Disorder Reduction Partnerships (CDRP). Most applicants applied for some security improvement work to be made to their premises (84%, representing 389 cases) and almost all of these (91%) sought advice from either the SAM or CDRP staff or both. Some 34% of those applying for changes to security sought advice from both the SAM and CDRP staff, 39% from only CDRP staff, and 30% only from the SAM.

2.4 Reasons for risk of closure

Part of the Fund's eligibility criteria included an assessment of the risk of closure of the sub-post office. The database records the reasons for risk of closure, distinguishing between closure due to declining income, concerns about security, declining customer base, declining profitability and other reasons (Table 2.7). Only twelve applicants (2.6%) attributed risk of closure to just one reason, whereas the vast majority identified several contributing factors, the most frequently listed being, in order of priority, declining income (91%), declining profitability (87%) and declining customer base (81%). These factors are clearly interrelated, with a declining customer base leading to declining income/profitability. Although a smaller proportion, it is important to highlight the concern about security with, more than half of the applicants in the sample (59%) identifying security as a potential cause for closure.

Table 2.7: Reasons for risk of closure

| | N | % |
|-------------------------|----------|----------|
| Declining income | 419 | 90.9 |
| Declining profitability | 403 | 87.4 |
| Declining customer base | 372 | 80.7 |
| Concerns about security | 271 | 58.8 |
| Other | 83 | 18.0 |

Table 2.8 shows some regional differences in the reasons given for risk of closure. Concern over security was much less frequent in the East of England (25%) and the South East (25%) compared to the North West (64%) and Yorkshire and Humberside (63%). Whilst concerns about declining customer base and declining income were consistently high (75% or above) in most regions, declining customer base appeared to be less of an issue in the North East (53%) and South East (63%) and declining income was less of an issue in the South West (63%). It is also notable that declining profitability was far less of an issue in London (31%).

Further analysis of the relationship between the factors behind risk of closure in the two phases of the DUPOF reveals that Phase Two applicants were somewhat more likely to identify security matters as reasons for closure than Phase One applicants (91% compared to 82%). Indeed, overall Phase Two applicants appeared to be more at risk of closure than their Phase One counterparts, a factor that may be related to the higher levels of local competition that we have already noted once the half mile criterion was relaxed (2.2.3).

Table 2.8: Reasons for risk of closure according to region (percentages are calculated from the same total)

| | East Midlands | | East of England | | London | | North East | | North West | |
|-------------------------|---------------|--------------|-----------------|--------------|---------------|--------------|------------------------|--------------|-------------|--------------|
| Reasons for risk | N | % | N | % | N | % | N | % | N | % |
| Declining income | 24 | 92.3 | 6 | 75.0 | 25 | 80.6 | 58 | 96.7 | 137 | 95.8 |
| Declining profitability | 21 | 80.8 | 7 | 87.5 | 25 | 30.6 | 56 | 93.3 | 130 | 90.9 |
| Declining customer base | 23 | 88.9 | 6 | 75.0 | 28 | 90.3 | 32 | 53.3 | 126 | 88.1 |
| Concerns about security | 15 | 57.7 | 2 | 25.0 | 18 | 58.8 | 32 | 53.3 | 91 | 63.6 |
| Other | 5 | 19.2 | 2 | 25.0 | 6 | 19.9 | 6 | 10.0 | 20 | 15.4 |
| Total | 26 | 100.0 | 8 | 100.0 | 31 | 100.0 | 60 | 100.0 | 143 | 100.0 |
| | South East | | South West | | West Midlands | | Yorkshire & Humberside | | All England | |
| Reasons for risk | N | % | N | % | N | % | N | % | N | % |
| Declining income | 6 | 75.0 | 5 | 62.5 | 60 | 93.8 | 98 | 86.7 | 419 | 90.9 |
| Declining profitability | 5 | 62.5 | 5 | 62.5 | 57 | 89.1 | 97 | 85.8 | 403 | 87.4 |
| Declining customer base | 5 | 62.5 | 6 | 75.0 | 51 | 79.7 | 95 | 84.1 | 372 | 80.7 |
| Concerns about security | 2 | 25.0 | 4 | 50.0 | 36 | 56.3 | 71 | 62.8 | 271 | 58.8 |
| Other | 2 | 25.0 | 4 | 50.0 | 22 | 34.4 | 16 | 14.2 | 83 | 18.0 |
| Total | 8 | 100 | 8 | 100 | 64 | 100 | 113 | 100 | 461 | 100 |

2.5 Profile of the DUPOF grants awarded

2.5.1 Distribution of the grants by region

At the time of writing, the total disbursement of the DUPOF programme has been £14.6 million (Table 2.9), with the largest share of funding (31% or £4.5 million) going to sub-post offices in the North West, followed by Yorkshire and Humberside (26% or £4.0 million) and the North East (15% or £2.2 million). This funding distribution broadly reflects the distribution in the number of successful applicants by region (see Table 2.5). The overall national average level of funding received was £43,351 (in relation to a maximum grant of £50,000), but this varied regionally, ranging from £46,229 in Yorkshire and Humberside to £32,831 in the South East (although here there were only six successful applications).

Table 2.9: Funding awarded to successful applicants by region

| Region | POs awarded by area | | Allocation of funding per region | | Average funding per applicant |
|-----------------|---------------------|------------|----------------------------------|------------|-------------------------------|
| | N | % | £ | % | £ |
| East Midlands | 16 | 4.7 | 736,506 | 5.0 | 46,032 |
| East of England | 6 | 1.8 | 273,143 | 1.9 | 45,524 |
| London | 20 | 5.9 | 719,618 | 4.9 | 35,981 |
| North East | 49 | 14.5 | 2,185,145 | 14.9 | 44,595 |
| North West | 106 | 31.3 | 4,502,528 | 30.7 | 42,477 |
| South East | 6 | 1.8 | 196,988 | 1.3 | 32,831 |
| South West | 4 | 1.3 | 147,001 | 1.0 | 36,750 |
| West Midlands | 44 | 13.0 | 1,866,836 | 12.7 | 42,428 |
| Yorks & Humber | 88 | 26.0 | 4,068,193 | 27.8 | 46,229 |
| Total | 339 | 100 | 14,695,961 | 100 | 43,351 |

2.5.2 Size of grants

The average total cost of the projects to which the DUPOF grant was contributing (n=339) was £51,122. Two-fifths (41%) of successful applicants indicated that the total cost of the project was greater than £50,000. These applicants therefore needed to contribute their own financial resources, or secure other public or private funds to complete the project. In the most extreme case, the sub-postmaster's own financial contribution was £174,595. Overall, the DUPOF grants constituted 85% of the estimated total project costs.

The database includes information about other assistance from public sources received by the applicants in the previous three years, although no information is given on the exact source. A total of 176 sub-postmasters had received assistance, at an average of £22,036, but ranging from only £88 to as much as £401,880. However, it would appear that a substantial amount of complementary funding has been from personal or other private sources.

Table 2.10 shows how both the amount applied for and the amount awarded were allocated. Shop refurbishment (54%) accounts for just over half of the amount applied for, compared with security (10%), new retail facilities (12%), and 'other work' (14%). Across all types of use/activity, the successful applicants applied for £17 million of work and received DUPOF grants contributing 86% of this value. However, certain activities were more likely to be awarded an amount closer to the full proposed amount than others. Thus 96% of the funding for security measures was met, 91% of that for shop refurbishment, and 88% of that for upgrading PO counters. In contrast, only 71% of the costs of professional fees and undertaking 'other work' were met.

Table 2.10: Allocation of the total amount applied for and awarded to successful applicants

| Proposed type of work | Total amount applied for | | Total amount awarded | | % of funding applied for that is met by DUPOF |
|----------------------------|--------------------------|--------------|----------------------|--------------|---|
| | N = 339 | | N = 339 | | N = 339 |
| | £ | % | £ | % | % |
| Shop refurbishment | 9,170,577 | 53.8 | 8,294,949 | 56.8 | 91.0 |
| Other | 2,448,165 | 14.3 | 1,744,863 | 11.9 | 71.4 |
| New retail facility | 1,957,631 | 11.5 | 1,460,171 | 10.0 | 74.6 |
| Security | 1,714,035 | 10.0 | 1,641,102 | 11.2 | 96.2 |
| Provision of IT facilities | 217,572 | 1.3 | 179,545 | 1.2 | 83.3 |
| Professional fees | 154,480 | 0.9 | 110,524 | 0.8 | 71.4 |
| Upgrade of PO counter | 1,361,682 | 8.0 | 1,189,723 | 8.1 | 87.7 |
| Advertising | 49,711 | 0.3 | 36,625 | 0.3 | 73.5 |
| Total | 17,073,853 | 100.0 | 14,657,504 | 100.0 | 86.2 |

Table 2.11a shows how funding for each type of activity was distributed between regions and highlights some interesting regional differences, particularly relating to spending on work requiring smaller amounts of money. For example, some 45% of all funds for professional fees was received by applicants from Yorkshire and Humberside and 57% of funding of the provision of IT facilities was concentrated in this region, compared to its 27% share of total funding. Also, while London received just 5% of all funds, the region received 25% of funds devoted to advertising (although this was only 0.3% of funding overall).

Table 2.11b shows that there were some interesting differences between regions in the proportion of the DUPOF grant that was spent on each type of work. In particular, the amount spent on security ranges from a high of over 14% in the North East to a low of just over 3% in the East of England, reflecting differences in the risk of crime and vandalism in these regions. The applications from the East of England (69%) and the West Midlands (70%) show greater emphasis on shop refurbishment compared to England as a whole (57%). The East Midlands applications exhibit an above average emphasis on establishing new retail facilities (18%), whilst the South West (14%) and London (13%) exhibit greater emphasis on PO counter improvement expenditure.

Table 2.11a: Amount of funding awarded to applicants by type of proposed change and location

| | | East Midlands | East of England | London | North East | North West | South East | South West | West Midlands | Yorks & Humber | All England |
|----------------------------|----------|----------------|-----------------|----------------|------------------|------------------|----------------|----------------|------------------|------------------|-------------------|
| Security | £ | 99,531 | 9,046 | 61,125 | 314,082 | 436,109 | 18,140 | 17,614 | 191,933 | 493,522 | 1,641,102 |
| | % | 6.1 | 0.6 | 3.7 | 19.1 | 26.6 | 1.1 | 1.1 | 11.7 | 30.1 | 100 |
| Shop refurbishment | £ | 361,839 | 187,567 | 360,341 | 1,056,489 | 2,712,630 | 110,779 | 92,769 | 1,313,906 | 2,108,099 | 8,304,419 |
| | % | 4.4 | 2.3 | 4.3 | 12.7 | 32.7 | 1.3 | 1.1 | 15.8 | 25.4 | 100 |
| New retail facility | £ | 130,833 | 1,718 | 66,877 | 167,100 | 422,504 | 18,086 | 0 | 113,225 | 520,199 | 1,440,542 |
| | % | 9.1 | 0.1 | 4.6 | 11.6 | 29.3 | 1.3 | 0 | 7.9 | 36.1 | 100 |
| Advertising | £ | 1,000 | 4,000 | 8,919 | 6,607 | 5,433 | 3,196 | 0 | 500 | 6,611 | 36,266 |
| | % | 2.8 | 11.0 | 24.6 | 18.2 | 14.9 | 8.8 | 0 | 1.4 | 18.2 | 100 |
| Provision of IT facilities | £ | 0 | 116 | 4,259 | 11,728 | 50,129 | 0 | 0 | 11,597 | 103,816 | 181,645 |
| | % | 0 | 0.1 | 2.3 | 6.5 | 27.6 | 0 | 0 | 6.4 | 57.2 | 100 |
| Other | £ | 75,395 | 47,280 | 120,183 | 344,782 | 578,347 | 31,739 | 20,798 | 124,866 | 401,473 | 1,744,863 |
| | % | 4.3 | 2.7 | 6.9 | 19.8 | 33.1 | 1.8 | 1.2 | 7.2 | 23.0 | 100 |
| Upgrade of PO counter | £ | 48,698 | 23,086 | 92,836 | 270,511 | 292,392 | 23,201 | 21,679 | 109,869 | 307,451 | 1,189,723 |
| | % | 4.1 | 1.9 | 7.8 | 22.7 | 24.6 | 1.9 | 1.8 | 9.2 | 25.8 | 100 |
| Professional fees | £ | 2,963 | 0 | 3,414 | 23,470 | 23,030 | 1,327 | 0 | 5,227 | 49,014 | 108,445 |
| | % | 2.7 | 0 | 3.1 | 21.6 | 21.2 | 1.2 | 0 | 4.8 | 45.2 | 100 |
| Total | £ | 720,259 | 272,813 | 717,954 | 2,194,769 | 4,520,574 | 206,468 | 152,860 | 1,871,123 | 3,990,185 | 14,647,005 |
| | % | 4.9 | 1.9 | 4.9 | 15.0 | 30.9 | 1.4 | 1.0 | 12.8 | 27.2 | 100 |

Table 2.11b: Amount of funding awarded to applicants by type of proposed change and location

| | West Midlands | | East of England | | London | | North East | | North West | |
|----------------------------|----------------|------------|-----------------|------------|------------------|------------|------------------------|------------|-------------------|------------|
| | £ | % | £ | % | £ | % | £ | % | £ | % |
| Security | 99,531 | 13.8 | 9,046 | 3.3 | 61,125 | 8.5 | 314,082 | 14.3 | 436,109 | 9.6 |
| Shop refurbishment | 361,839 | 50.2 | 187,567 | 68.8 | 360,341 | 50.2 | 1,056,489 | 48.1 | 2,712,630 | 60.0 |
| New retail facility | 130,833 | 18.2 | 1,718 | 0.6 | 66,877 | 9.3 | 167,100 | 7.6 | 422,504 | 9.3 |
| Advertising | 1,000 | 0.1 | 4,000 | 1.5 | 8,919 | 1.2 | 6,607 | 0.3 | 5,433 | 0.1 |
| Provision of IT facilities | 0 | 0 | 116 | 0.1 | 4,259 | 0.6 | 11,728 | 0.5 | 50,129 | 1.1 |
| Other | 75,395 | 10.5 | 47,280 | 17.3 | 120,183 | 16.7 | 344,782 | 15.7 | 578,348 | 12.8 |
| Upgrade of PO counter | 48,698 | 6.8 | 23,086 | 8.5 | 92,836 | 12.9 | 270,511 | 12.3 | 292,392 | 6.4 |
| Professional fees | 2,963 | 0.4 | 0 | 0 | 3,414 | 0.5 | 23,470 | 1.1 | 23,030 | 0.5 |
| Total | 720,258 | 100 | 272,813 | 100 | 717,955 | 100 | 2,194,769 | 100 | 4,520,574 | 100 |
| | South East | | South West | | West Midlands | | Yorkshire & Humberside | | All England | |
| | £ | % | £ | % | £ | % | £ | % | £ | % |
| Security | 18,140 | 8.8 | 17,614 | 11.5 | 191,933 | 10.3 | 493,522 | 12.4 | 1,641,102 | 11.2 |
| Shop refurbishment | 110,779 | 53.7 | 92,769 | 60.7 | 1,313,906 | 70.2 | 2,108,099 | 52.8 | 8,304,419 | 56.7 |
| New retail facility | 18,086 | 8.8 | 0 | 0 | 113,225 | 6.1 | 520,199 | 13.0 | 1,440,542 | 9.8 |
| Advertising | 3,196 | 1.5 | 0 | 0 | 500 | 0.1 | 6,611 | 0.2 | 36,265 | 0.2 |
| Provision of IT facilities | 0 | 0 | 0 | 0 | 11,597 | 0.6 | 103,816 | 2.6 | 181,645 | 1.2 |
| Other | 31,739 | 15.4 | 20,798 | 13.6 | 124,866 | 6.7 | 401,473 | 10.1 | 1,744,863 | 11.9 |
| Upgrade of PO counter | 23,201 | 11.2 | 21,679 | 14.2 | 109,869 | 5.9 | 307,451 | 7.7 | 1,189,723 | 8.1 |
| Professional fees | 1,327 | 0.6 | 0 | 0 | 5,227 | 0.3 | 49,014 | 1.2 | 108,444 | 0.7 |
| Total | 206,468 | 100 | 152,860 | 100 | 1,871,122 | 100 | 3,990,185 | 100 | 14,647,004 | 100 |

2.6 Conclusion

Overall, the DUPOF attracted 461 applications from sub-postmasters, leading to 339 (74% of them) receiving a grant to make various improvements to the sub-post office. All of the successful sub-post offices were located within one of the 10% most deprived urban wards, with the majority of them (69%) being funded under Phase Two of the programme when the restriction that there should be no other post office within half a mile was lifted. To a large extent, the distribution of successful applicants reflects that of eligible sub-post offices. Almost a third of the successful applicants were from the North West region (31%) with a further quarter (26%) being from Yorkshire and Humberside. London stands out as the region with a significantly smaller share of successful applications (6% of the total) compared to its share of eligible sub-post offices (15% of the total).

The average size of grant was £43,351 and typically comprised 85% of the value of the projects that were being undertaken. Most applicants proposed using the funding to make a combination of improvements, although over half (57%) of the total funding went on making shop refurbishments, with an average grant size of £25,841. More than three quarters of the applicants also made security improvements, although the amount spent on this was much smaller, averaging £6,078, and accounting for 11% of the Fund's allocation.

The types of changes proposed to the business varied, although the majority of applicants proposed changes that formed a logical extension to their PO services, the most common being the introduction or extension of groceries and/or stationery. Over half (57%) proposed making at least two changes and a relatively small but significant minority proposed making more innovative changes.

Having presented this overview of applications to the Fund, the next chapter considers the experiences of successful applicants in more depth, using the evidence collected during two rounds of interviews with sub-postmasters.

Chapter 3: Survey of DUPOF assisted sub-post offices

3.1 Introduction

This chapter presents the findings of two surveys that were conducted with sub-post masters (SPMs) who had received DUPOF grant funding to improve their premises and expand/diversify their businesses. As outlined in chapter 1 (section 1. 3), the first survey was conducted just a few months after the completion of the DUPOF alterations in order to capture the SPMs immediate reaction to the effects of the grant on their business. However, given the likelihood that some time may be required for the full effects to become evident and also to try to redress any possible bias resulting from SPMs initial enthusiasm for the changes, a second follow-up survey was conducted at a later date with about half of the SPMs interviewed in the first survey.

The first survey comprised interviews with 108 SPMs. Most of these were conducted by telephone (101), while in 7 cases the data were collected during face-to-face interviews conducted for the purpose of the DUPOF case studies (see chapter 4). Fifty two of the SPMs interviewed had been funded under Phase One of the programme and the remaining 56 during Phase Two. The sub-post offices (SPOs) were purposively selected to ensure representation of different types of business, in different locations and also different types of grant aided projects. In line with the regional distribution of applications presented in the previous chapter, the majority were located in the North West (37) and Yorkshire and Humberside (28). Seventeen were located in the North East, six in the East Midlands, nine in the West Midlands, three in the South West, three in London, two in Liverpool, two in the East of England and one in the South East. Most of the interviews were conducted between July 2004 and March 2005. The majority of respondents (68%) had completed their DUPOF alterations 3-6 months before the interview took place, while 21% completed 7-10 months and 6% 11-14 months prior to the interview.

The follow-up survey comprised telephone interviews with 51 of the previously interviewed SPMs, most of which were conducted between April and May 2005. A key criteria for inclusion in the follow-up survey was that a minimum of six months had elapsed since the completion of the DUPOF funded improvements. A quarter (25%) of the surveyed SPOs finished the DUPOF alterations 6-9 months prior to the interview, 40% 10-13 months before, and another quarter (25%) 14-17 months before. Only 10% had finished the project 18 to 21 months prior to the interview.

The first survey gathered data on:

- profile details of the SPOs;
- the main services or activities other than PO services offered prior to the DUPOF alterations;
- the nature of the DUPOF related improvements;
- the impact of the DUPOF improvements on the business;
- SPMs' views on the impact of the DUPOF improvements on other local businesses; and
- SPMs' views on the impact of the DUPOF improvements on the local community.

The follow-up survey followed a similar structure, although it enabled more detail to be gathered on the impact of the changes and included further questions about the actual impact on the longer term viability of the business and any changes in the SPMs approach to running the business, particularly as a result of the business advice received.

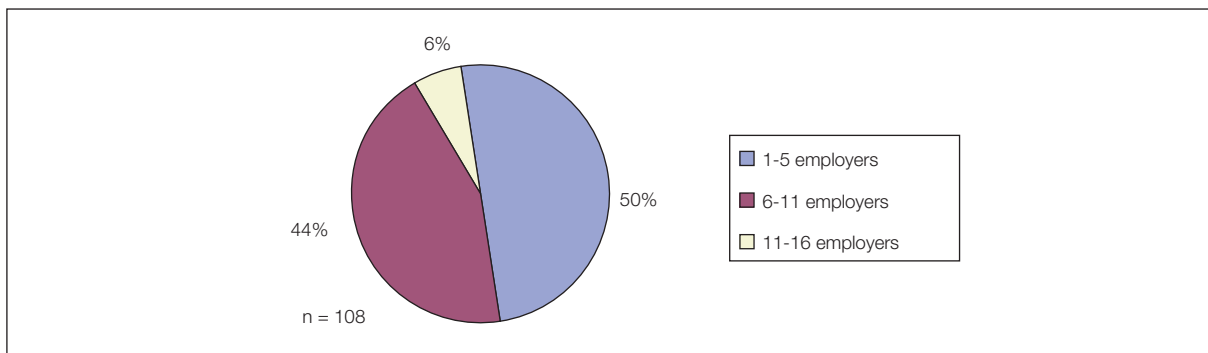
Rather than presenting the findings of the two surveys separately, each section of the chapter will draw upon the appropriate evidence from one or both of the surveys. The chapter will start by giving a profile of the surveyed SPOs, a description of the services offered prior to the DUPOF alterations, and the main factors identified as affecting their performance. This leads into a description of the nature of the alterations that were made, including complementary sources of project funding. Various impacts are then discussed, starting with the impacts on customer numbers and profile before considering the impacts on business performance and staffing levels. There then follows an assessment of SPMs' views of the impact of the alterations upon the local economy, including implications for other local businesses, both positive and negative. This is followed by their views on wider impacts on the local community notably with respect to improvements in the range and quality of goods and services provided to local people and also changes in perceptions of safety. The chapter ends with some consideration of the SPMs views about other benefits of DUPOF, including the help they received from business advisors as part of the application process.

3.2 Profile of businesses surveyed

The majority of the 108 SPOs surveyed were well established businesses, with an average age of 37 years. A quarter (28%) had been established for less than 20 years, with the youngest being two years old. A third had existed for between 20 years and 40 years, while 38% had been in existence for over 40 years, with the oldest being in existence for 110 years. The SPMs interviewed had been running their SPOs for 9 years on average.

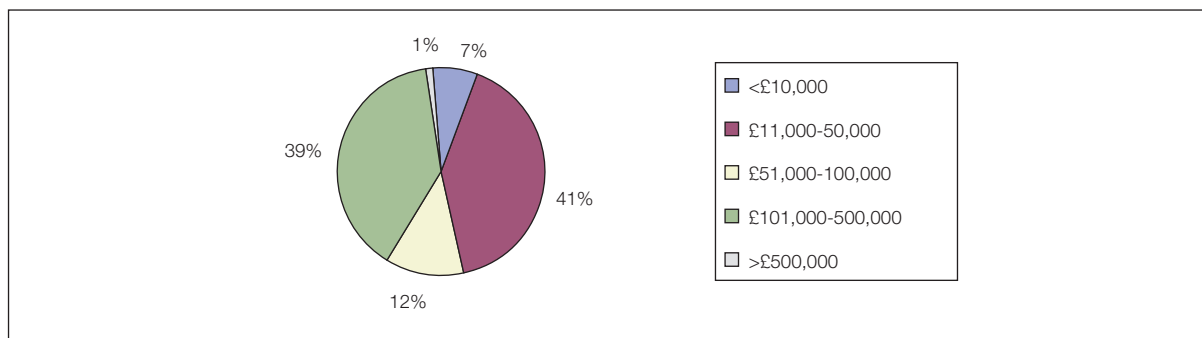
Almost all the surveyed SPOs (94%) were micro-businesses with 10 or fewer employees (44% employing 6-10 staff and 50% employing 1-5 employees); the remaining 6% employed between 11-16 (Figure 3.1). Most of the businesses (73%) had between 1-6 family members working in the business. The average number of staff working part-time in the SPOs was 4, with only four of the SPOs not having part-time employees.

Figure 3.1: Employment size of surveyed POs



With regard to business performance, of those that were able to give data on this (n=75), nearly all (99%) had a sales turnover of £500,000 or less during the financial year prior to the interview, while 60% reported a turnover of £100,000 or less (Figure 3.2). At the extremes, five SPOs generated less than £10,000, whilst one respondent reported a turnover of £1.2 million.

Figure 3.2: Value of sales turnover during the previous financial year



More of the SPOs appear to have experienced growth rather than decline prior to receiving the DUPOF grant. When asked whether during the previous five years there had been any change in sales turnover, 50% of respondents reported an increase, 29% a decrease, while 21% said their turnover had remained the same. Similarly, the majority claimed to be profitable, with 70% of them saying that the business had been profitable during the previous financial year, 22% breaking even, and just 8% having made a loss (n=102).

In terms of legal status, half of the SPOs (51%) were trading as single proprietors, and 40% were trading as partnerships (typically husband and wife), while only 7% were trading as private limited companies, these tending to be the larger businesses.

3.3 Before the DUPOF alterations

3.3.1 Main services offered

Table 3.1: Main retail goods and services offered before alterations

| Services/activities offered | N (n = 108) | (%) |
|-----------------------------|-------------|-----|
| Cards/stationery | 87 | 81 |
| Sweets/soft drinks | 68 | 63 |
| Cigarettes | 60 | 56 |
| National lottery | 41 | 38 |
| Newsagents | 39 | 36 |
| Phone cards | 38 | 35 |
| Other* | 28 | 26 |
| Groceries | 26 | 24 |
| Toiletries | 26 | 24 |
| Photocopying | 21 | 19 |
| Medicines | 20 | 19 |
| Off licence | 8 | 7 |

* Note: includes key-cutting, toys, household items, hardware, gifts, sandwiches, pastries, chilled foods, children's' clothes.

Before the alterations, most of the SPOs had only offered a limited range of goods and services, other than their basic PO services. Indeed, 69% supplied no more than five retail services (as listed in Table 3.1), with 5% offering purely PO services and a further 30% only offering one or two other goods and services. The services most frequently supplied were: cards and stationery (81%), sweets and soft drinks (63%), cigarettes (56%), lottery tickets (38%), newspapers (36%) and phone cards (35%).

3.3.2 Factors affecting business performance

The SPMs were asked what had been the main factors that had affected the performance of their business over the previous three years. The main factor identified by 81% of respondents was the decline of PO income which they attributed to the switch to direct payments of pensions and other benefits into customers' bank accounts instigated by government policy. For example, one of the SPMs estimated that he had lost 20% of his pensioner customers to the banks. The second most cited factor was increased competition from other retailers, identified by nearly half (45%) of the SPOs surveyed. This included what some SPMs referred to as 'unfair competition' from supermarkets and other outlets such as wholesalers/'cash and carry' and garages who were increasingly stocking similar products. More than one third (37%) also identified increases in local crime as a factor affecting business performance and a quarter (26%) mentioned increased rent and rate overheads. Although one third (36%) of SPMs indicated difficulty in recruiting staff as having affected their performance during the previous three years, this needs to be related to the 62% who identified increased staff costs as one of the main factors. However, 12% also mentioned that staff retention had improved, which appears to be a result of improved wage structures in better performing SPOs.

3.3.3 Risk of closure

When asked in what ways they considered their business to be at risk of closure, SPMs typically gave a combination of reasons, although a majority (72%) referred to the decline in PO income, with two-thirds of these relating this to the change to direct payment of benefits into bank accounts. Two respondents, for example, referred to a 40% loss of customers due to direct payments, whilst another indicated that 65% of their entire PO trade had related to pensions payments.

The second most frequently given reason for being at risk of closure was the poor physical condition of premises (11%), and the need for refurbishment in order to be able to attract new customers, including with respect to improved access for disabled and elderly customers. As two SPM's commented:

"I was at risk of closure because the shop was in very poor condition, there was poor access for the elderly, poor lighting and the appearance was horrible. There was also a lack of disabled access and security was poor".

"The business was dilapidated – the premises were very small and customers were not able to get proper service."

One in ten SPMs mentioned that they faced an increased risk of closure due to increased competition in the area with respect to the retail side of the business. As one SPM remarked: *"There is huge competition in this area – there are loads of shops selling the same things we sell."*

Four SPMs, however, indicated that their businesses had not been directly at risk of closure. In these cases, reasons given for their eligibility for the DUPOF grant were: the need to relocate into a new property due to wholesale redevelopment of the area and demolition of the existing premises – a move which would have been unaffordable to the SPM without the support from DUPOF (one case); two SPMs stated that although they had not been directly under threat of closure, the DUPOF grant had been necessary to arrest the decline in trade and put the SPO on a more stable footing; in one further case the SPO was in a prime location and, although not at risk, the grant had facilitated further business development that would otherwise not have been possible.

3.4 The DUPOF alterations

3.4.1 Percentage of other grants/loans to total investment

The amount of the DUPOF grant awarded to respondents ranged from £10,000 (4 cases) to £50,000 (i.e. the maximum allowed) (47 cases). In most cases (73%) the amount received was between £40-50,000, which corresponds to the overall average grant of £43,000 for DUPOF as a whole (see section 2.5.2). On average, the DUPOF grant provided three quarters of the total investment in the project. Table 3.2 shows that 60% of the SPMs also invested some of their own money and the average contribution was 21% of the total investment. Less than a third (30%) of SPMs obtained bank loans, but in these cases the loans contributed on average 38% of the total investment cost. Other loans/grants and alternative sources of funding (such as from family and friends) applied to only 8% of SPOs and made up the residue of funding (representing an average of 5% of project investment in these cases).

When asked whether they had increased borrowing since receiving the DUPOF grant, nearly a quarter (22%) had done so, of which just over four fifths indicated that receiving the DUPOF grant had facilitated easier borrowing.

Table 3.2: Percentage of grants/loans to total investment

| Types of grants/loans | Minimum (%) | Maximum (%) | Mean (%) |
|-----------------------|-------------|-------------|----------|
| DUPOF grant (n=107*) | 8 | 100 | 74 |
| Own money (n=64) | 2 | 87 | 21 |
| Bank loans (n=32) | 11 | 92 | 38 |

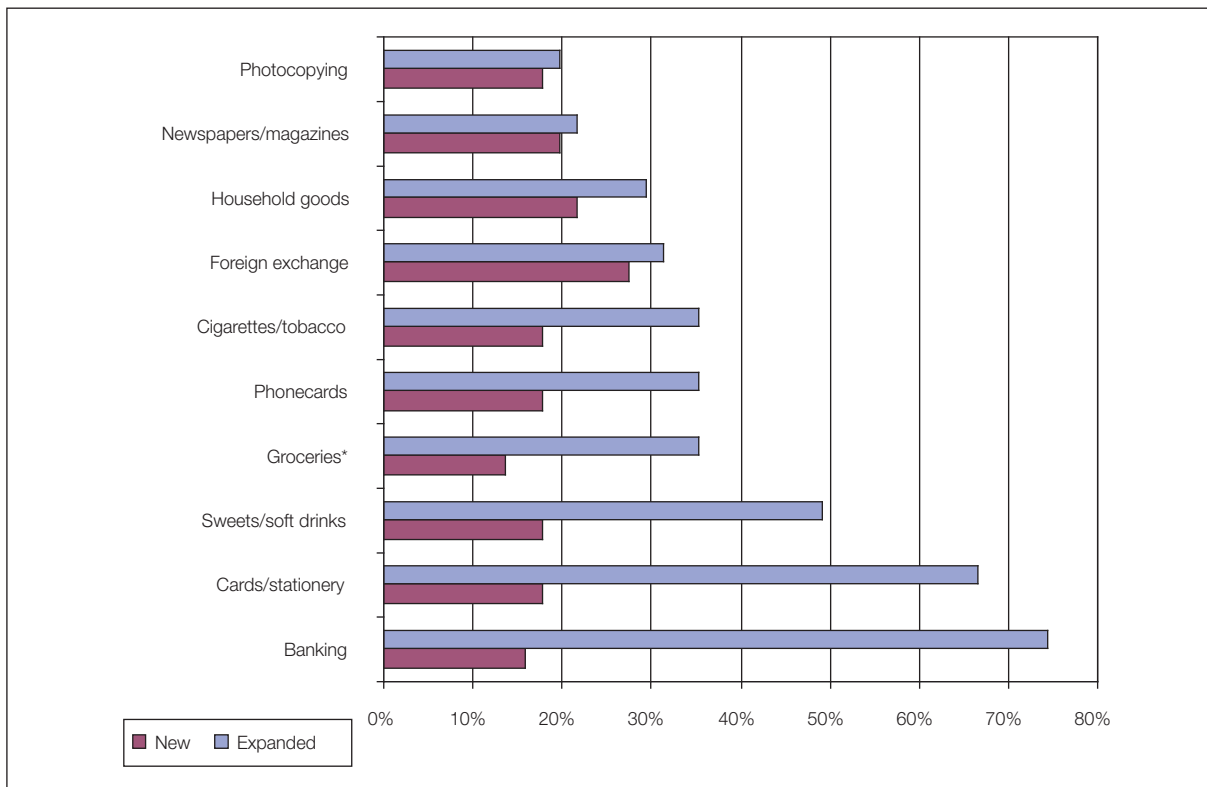
* Note: 1 missing case

3.4.2 Nature of the DUPOF funded alterations

The interviewed SPMs were asked what alterations had been made with the help of the DUPOF grant. The vast majority used the DUPOF grant for refurbishment (98%), which ranged from a full shop refit, new shop front, heating and air conditioning systems, new ceilings, new floors, electrical rewiring, to associated building works. Three SPOs had relocated to new premises within very close proximity to their original locations, in redevelopment areas.

Most (92%) of the surveyed SPOs had expanded their service/product provision as a result of their DUPOF grant assistance, either through introducing new goods and services or expanding existing ones. Figure 3.3 shows the main retail goods or PO services that were introduced or expanded following the DUPOF alterations (based on the follow-up survey).

Figure 3.3: Main retail goods and PO services introduced and expanded since DUPOF alterations at time of follow-up survey



Introduction of new goods and services

Over three-fifths (63%) of the SPOs in the follow-up survey had used DUPOF funding to introduce new retail goods and services, the most frequently mentioned being: groceries (15 cases, including two cases which specifically mentioned new provision of fresh fruit and vegetables), frozen/chilled foods (8 cases), photocopying/faxing/email (5 cases), toys (7 cases) and sweets and drinks (5 cases). Whereas the majority of these new products and services were related to what the business was already providing, one fifth of SPMs had diversified into services that were distinctive and unrelated to existing goods and services; these included a tanning service (1 case), hot/fresh prepared food sales, such as pizzas and fresh sandwiches (5 cases), film processing by acquiring film processing equipment and digital cameras for passport photographs (7 cases) and off-license sales (3 cases). In three cases, SPOs had expanded from core PO activities into a full range of mini-market retail. Conversely, in one case a new SPO was created within an existing shop.

The introduction of new PO services was less common; at the time of the original survey only 11% had introduced new core PO services. However, by the time of the follow-up survey a greater proportion had introduced new PO services: 27% had introduced foreign exchange services; 18% phone cards; 16% banking services; and 10% referred to other recently introduced services such as: home, car and holiday insurance, PO home phone lines, international money transfer, and passport service. In three cases respondents also referred to having introduced car tax service.

Expansion of existing goods and services

At the time of the original survey four-fifths (80%) of SPMs had used the DUPOF grant funding to increase their existing retail activities. This typically related to increasing the range of product lines and stock for previously supplied services (e.g. supplying a wider range of groceries, including fresh fruit and vegetables, sweets and drinks and stationery products). In one case an improved dairy/frozen product range was enabled through purchasing larger chilled/frozen food units.

In terms of the expansion of PO services, three quarters of the SPMs interviewed in the follow-up survey had increased the volume of their banking services since the DUPOF alterations, and 35% and 31% had expanded their phone card and foreign exchange services respectively.

Other alterations

The DUPOF grant had enabled most (92%) of the interviewed SPMs to provide improved security for their premises, mainly in the form of close circuit cameras (CCTV), shutters, and alarm systems. Two thirds (68%) had also improved access to their premises for elderly and disabled customers, mainly in the form of ramps.

The follow-up survey provided additional information about the alterations made to the PO side of the business. Most had spent less than £10,000 on this side of the business. Nearly all (90%) had used some of the grant to improve the queuing system of the business, with an average of £3,000 being spent on this, and 86% had enhanced the layout of the SPO, with an average of £12,000 being spent on this aspect. However, only a quarter (27%) used part of the grant to install more PO counters, averaging £12,000.

It became clear from both the surveys that many SPMs had experienced delays in completing the project. Even by the time of the follow-up survey, one in ten of the SPMs said that some of the planned DUPOF improvements had not yet gone ahead due to the following reasons: the supplier had let them down; difficulty in finding contractors to do the work; insufficient money to complete the project; and a delay attributed to the lack of a specific form that the NRU needed to provide. In these five cases the improvements that still needed to be made included construction of a ramp (3 cases), installation of a special till and counter for the disabled (1 case), and facilities necessary to offer top-up cards and cell phones (1 case).

3. 5 Impact of the DUPOF alterations on the business

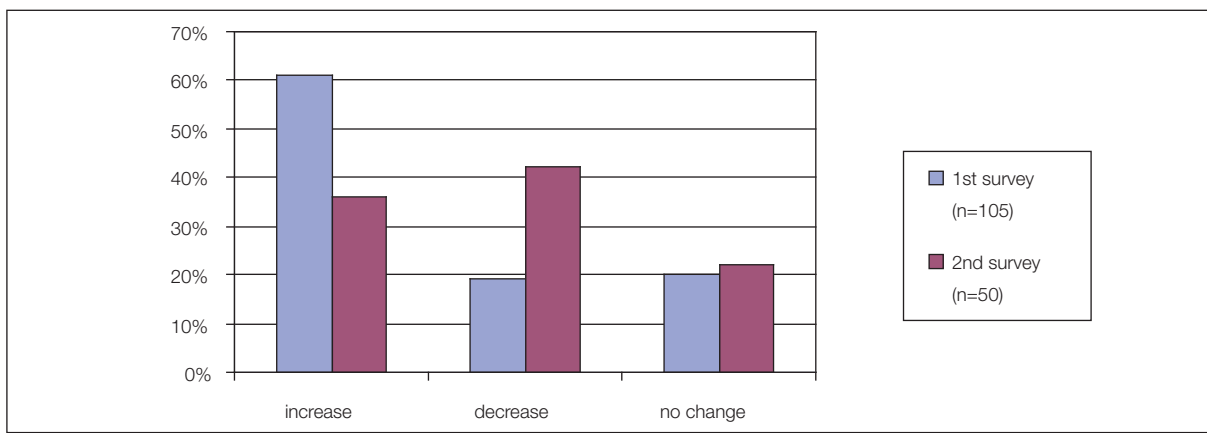
SPMs were asked in detail about the impact of the DUPOF assisted changes on customers and on the performance of their business. Although SPMs were encouraged to accurately quantify their responses as far as possible, it is important to note that the figures given in this section are necessarily based on SPMs' estimates as in most cases, the interviews were conducted before the production of business accounts relating to the period since the DUPOF improvements. For the 51 sub-post offices included in the follow-up survey, various questions relating to the number of customers and the performance of the business since the DUPOF alterations were repeated from the original survey in order to assess the extent to which there had been a continuation in the trends identified a few months after their completion. It is therefore possible to compare what the SPMs said about business performance in the original and follow-up surveys for these 51 sub-post offices.

3.5.1 Impact on customer numbers and profile

General public customers

At the time of the first survey, the DUPOF alterations appeared to be having a favourable effect on the numbers of general public customers; 61% of the SPMs reported an increase in the number of general public customers (Figure 3.4) and in these cases, the average increase was estimated at 19% (median 15%, n=53). There was no change in customer levels at 20% of the SPOs, whilst in 19% of the cases the SPMs reported a decrease in the number of general public customers, with an estimated average decrease of 26% in these cases (median -25%, n=18).

Figure 3.4: Change in the number of general public customers since DUPOF alterations, comparing first survey and follow-up survey



However, by the time of the follow-up survey, the growth in the numbers of general public customers appears to have tailed off with more SPMs reporting a decrease than an increase. When asked whether the number of general public customers had changed since completion of the alterations, 42% reported a decrease. This resulted in an average decrease of general public customers at these SPOs of 22% (median -20%, n=19). There was no change in customer levels at 22% of the SPOs, whilst in 36% the SPMs reported an increase in general public customers, resulting in an average increase of 25% in these cases (median 20%, n=15).

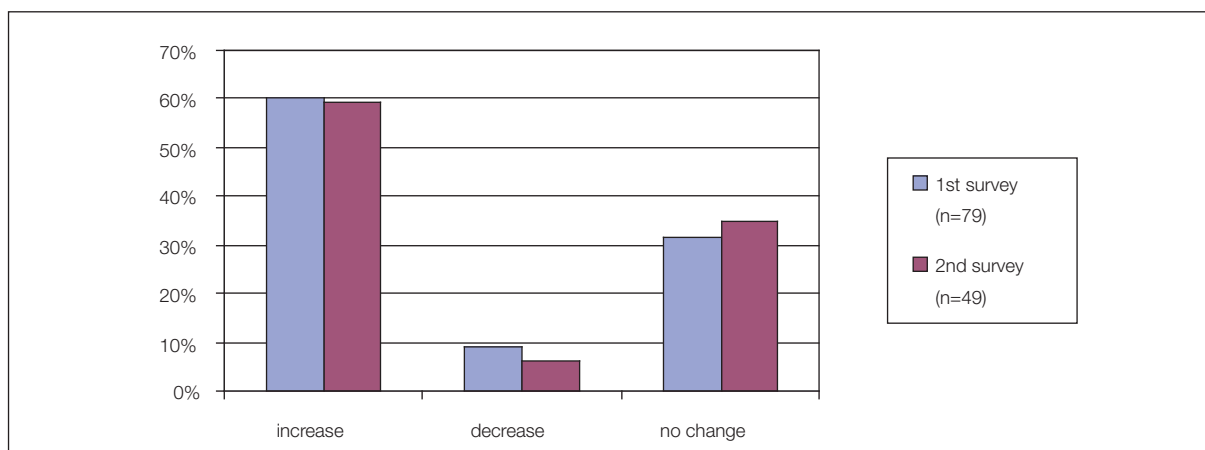
Focussing on the 51 SPOs which were interviewed in both surveys, the reduction in the proportion of SPOs identifying an increase in the number of general public customers since the alterations is also apparent. Thus whereas 67% of them identified an increase at the time of the first survey, this had dropped to 36% by the time of the follow-up survey and whereas only 21% of them identified a decrease at the time of the first survey, this had risen to 42% by the time of the follow-up survey. Although there may have been some tendency for SPMs to overestimate the impact of the alterations on customer numbers at the time of the first survey, many SPMs attributed the decline in general public customers to the direct transfer of various payments to customer bank accounts, thereby reducing peoples' need to visit post offices.

Business customers

There was a clear upward trend in the numbers of business customers, which unlike the trend for general public customers, was consistent between the two surveys. At the time of the first survey, 60% of the SPMs identified an increase in business customers, with an estimated average increase of 20% in these cases (median 10%, n=42) (Figure 3.5). A third (32%) reported no change and 9% identified a decrease, with an estimated average decrease of 30% (median 18%, n=4).

As Figure 3.5 shows, the pattern was very similar at the time of the follow-up survey, with 59% reporting an increase in business customers (with an estimated average increase of 27%, median 18%), 35% reporting no change, and just 6% experiencing a decrease (with an estimated average decrease of 13%). This pattern is also found in the 51 SPOs that took part in both surveys.

Figure 3.5: Change in the number business customers since DUPOF alterations, comparing first survey and follow-up survey



Change in customer profile

As well as being asked about changes in the numbers of customers, the interviewed SPMs were also asked in both surveys whether they had noticed any change in their customer profile since the DUPOF alterations. Although many of them had difficulty with this question, the information obtained does point to two clear trends. The first is the trend that we noted above towards more business customers: 53% of the SPMs in the follow-up survey considered that they now had more business customers, against only 4% who thought there were fewer of them. This confirms that there appears to be a shift taking place in the customer base of DUPOF assisted SPOs away from the general public and towards businesses, although it should also be noted that this relates primarily to the use of PO rather than retail or other services.

The second trend relates to an apparent decline in the number of retired customers. In the original survey 22% of SPOs had noticed fewer retired customers, compared to 28% saying there had been an increase, but by the time of the follow-up survey 55% of SPMs reported fewer retired customers compared with only 18% reporting an increase. Again, this is likely to be associated with changes to the PO side of the business and is consistent with the shift towards pensions being paid directly into bank accounts. This trend is therefore the result of changes relating to the delivery of state benefits, rather than being directly attributable to the DUPOF.

It is worth emphasising here that the majority of customers made use of the PO services rather than visiting the shop solely for the non PO services. In the follow-up survey, SPMs were asked about the proportion of customers using only PO services or only other products and services, compared to the proportion using a combination of both. The proportion of customers using only PO services averaged 40% (median 40%, n=49), whereas the average number using the SPO only for the non-PO products and services was 29% (median 20%, n=47). However, the proportion of customers using a combination of PO and other services averaged 53% (median 50%, n=47).

3.5.2 Impact of DUPOF on business performance

(i) Sales Turnover

Table 3.3 shows the trends in sales turnover since completing the DUPOF improvements at the time of the first survey. Three-quarters (75%) of the SPOs had experienced an increase in sales turnover for the business as a whole, whilst 12% had experienced decline. However, this overall improvement was largely due to growth in the non PO side of the business, as only 38% reported an increase in PO sales turnover as against 86% reporting an increase in retail sales turnover. Moreover, as we shall discuss below, increases in PO sales turnover were partly the result of customer migration from recent PO closures in the locality.

Over a third (38%) of SPMs reported a decrease in PO sales, the main reason given for this being the switch to direct payment of pensions and benefits to customers' bank accounts. However, in three-quarters of these cases (29 out of 39), the DUPOF improvements had resulted in increased retail sales turnover which had more than compensated for the decline in PO sales.

Table 3.3: SPOs experiencing change in sales turnover since the DUPOF alterations at the time of the first survey

| Sales Turnover | No change | | Increase | | Decrease | | Total | |
|--------------------------|-----------|----|----------|----|----------|----|-------|-----|
| | N | % | N | % | N | % | N | % |
| PO sales turnover change | 25 | 24 | 40 | 38 | 39 | 38 | 104 | 100 |
| Retail business change | 7 | 7 | 89 | 86 | 8 | 8 | 104 | 100 |
| Net overall change | 14 | 14 | 78 | 75 | 12 | 12 | 104 | 100 |

Note: There was one case which was strictly a PO with no retail business

In those cases experiencing an increase in PO sales turnover, the average estimated increase was 20% (median 13%, n=36), whereas the average estimated decrease was similar 18% (median 15%, n=34). In the cases that were able to estimate the increase in retail sales turnover, the average increase was 35% (median 25%, n=80), whereas the average decrease was 19% (median 20%, n=8). Thus not only were more than twice as many SPOs experiencing growth in retail sales compared to PO sales, but the rate of growth was also much faster.

The follow-up survey enables us to look at the trends in sales turnover over a longer period since completion of the DUPOF alterations (Table 3.4). The proportion of SPOs experiencing an increase in sales turnover since the DUPOF alterations is less than over the shorter period (65% compared with 75%) and the proportion decreasing marginally more (20% compared to 12%). As with the previous survey, the overall increase was due to the growth of the retail side of the business, with 82% of SPOs experiencing an increase in retail sales. The average estimated growth in these cases was 32% (median 20%, n=38) and in almost all of them, SPMs attributed this growth to the DUPOF improvements. With regard to PO services, nearly half (49%) reported a decrease in sales turnover since the DUPOF alterations, compared to a third reporting an increase. The average estimated decrease in PO sales was 18% (median

13%, n=20), compared to an average increase of 23% (median 20%, n=15). The follow-up survey therefore confirms that the overall growth of most of the SPOs is the result of the growth on the retail side more than compensating for the decline in PO sales.

Having said this, however, it is important not to lose sight of the fact that a third of the SPOs at the time of the follow-up survey had increased their PO sales since the DUPOF alterations. This was largely attributable to the introduction of new PO services and, interestingly, a few SPMs also identified the growth of eBay shopping as leading to an increase in their parcel trade.

In both surveys, the SPMs were asked to estimate the proportion of current sales that was directly attributable to the DUPOF improvements. In the first survey, there were 89 responses, indicating that on average over one third of current sales turnover (35%) was directly attributable to DUPOF project work (median 20%). And in the follow-up survey, there were 46 responses, with on average 29% of current sales turnover being attributable to DUPOF improvements (median 20%). On the basis of the median values therefore, we can conclude that on average at least one fifth of the sales turnover in the SPOs is the result of the DUPOF improvements.

Table 3.4: Change in Sales Turnover since the DUPOF alterations at the time of the follow-up survey

| | No change | | Increase | | Decrease | | Total | |
|--------------------------|-----------|-----|----------|-----|----------|-----|-------|------|
| | N | % | N | % | N | % | N | % |
| PO sales turnover change | 9 | 18% | 17 | 33% | 25 | 49% | 51 | 100% |
| Retail business change* | 4 | 8% | 41 | 82% | 5 | 10% | 50 | 100% |
| Net Overall change | 8 | 16% | 33 | 65% | 10 | 20% | 51 | 100% |

* Note: n=50: There was one case which was strictly a PO with no retail business

Besides DUPOF, another common factor leading to an increase in the number of customers and sales turnover in many of the surveyed SPOs was the recent closure of another post office in the locality. Two thirds of SPMs in the first survey and a similar proportion (61%) in the follow-up survey identified this as a factor, leading to an estimated average increase in the number of customers of around 16% (median 13%) and an increase in sales turnover of 14% (median 10%). In those cases in the follow-up survey that identified the effects of closures as well as the DUPOF improvements (n=20), it is notable that the proportion of current sales attributable to grant work rose to 35% (median 30%), with increased turnover generated from other PO closures representing 15% (median 10%). This suggests not only that DUPOF and neighbouring PO closures are having a combined effect on many SPOs, but also that the DUPOF grant has had the larger impact in these cases.

Further insights into the changes that have been occurring to the sales turnover of SPOs since the DUPOF alterations are gained by focussing on the 51 SPMs which took part in both the original and follow-up surveys. Table 3.5 is a matrix of the changes that occurred to both the PO and retail sides of the business since the DUPOF alterations. It draws upon the data relating to each interviewed SPMs estimate of percentage changes in sales turnover since the

DUPOF alterations, comparing the estimates that they gave in both surveys. Forty-nine of the 51 SPMs were able to provide these estimates in both surveys. The table distinguishes between those SPMs that gave similar estimates in both surveys (i.e. the estimates of increases or decreases were consistent) and those where the estimates given in the follow-up survey differed significantly (defined as by more than ten percentage points) from those in the previous survey. This enables not only those SPOs where initial growth gave way to decline to be identified, but also those where the estimate of growth was lower in the follow-up survey. The table also gives the SPM's estimate of the overall change in sales turnover since the DUPOF alterations at the time of the follow-up survey as this enables us to identify those SPOs where the growth on the retail side of the business was not sufficient to compensate for the decline in PO sales turnover.

Table 3.5 shows that 26 SPMs (53%) gave estimates of retail sales increases that were consistent over both surveys, whereas only 13 SPMs (27%) gave consistent estimates of increases in PO sales. Fourteen SPMs (29%) gave a significantly lower estimate of retail sales increases at the time of the follow-up survey than they had done previously, as did five SPMs (10%) with regards to increases in PO sales. Twenty five SPMs (51%) identified a decrease in PO sales in both surveys, and in a further two an initial increase in PO sales was short-lived, becoming a decrease by the time of the follow-up survey.

Table 3.5: Changes in sales turnover since DUPOF alterations between the original and follow-up surveys

| | | PO SALES | | | | | |
|--------------|--|----------------------------------|---|---------------------------|--|------------------|-----------|
| | | Similar increase in both surveys | Increase in 1st survey with slower increase in 2nd survey | No change in both surveys | Initial increase in 1st survey with decrease in 2nd survey | Decrease in both | Total |
| RETAIL SALES | Similar increase in both surveys | 10 (10/0) | 3 (3/0) | 1 (1/0) | 1 (1/0) | 11 (6/2) | 26 |
| | Increase in 1st survey with slower increase in 2nd survey | 2 (2/0) | 2 (2/0) | 2 (2/0) | 1 (1/0) | 7 (3/2) | 14 |
| | No change in both surveys | 1 (1/0) | – | – | – | 2 (1/1) | 3 |
| | Initial increase in 1st survey with decrease in 2nd survey | – | – | 1 (0/1) | – | 1 (0/1) | 2 |
| | Decrease in both surveys | – | – | – | – | 4 (0/4) | 4 |
| | Total | 13 | 5 | 4 | 2 | 25 | 49 |

Notes:

(i) N=49 (two have been excluded because SPMs were unable to estimate turnover changes)

(ii) Numbers in parenthesis (no. of SPOs experiencing overall increase/no. of SPOs experiencing overall decrease in sales turnover) – there was no overall change in the remaining cases

There are three distinct groupings of SPOs that are evident from Table 3.5:

Group 1: 17 SPOs (35%) which experienced an increase in both PO and retail sales, although in 7 of them the estimated increase at the time of the follow-up survey was less than at the time of the original survey. In the majority of these cases a combination of post office closures and the DUPOF improvements were the main reasons given by SPMs for the increase in PO sales

Group 2: 20 SPOs (41%) which experienced a decrease in PO sales on the one hand but an increase in retail sales on the other. In eleven of these cases the growth in retail sales more than compensated for the decline in PO sales, resulting in an overall increase in sales turnover, whereas four of them experienced an overall decline in sales turnover, and five experienced no overall change.

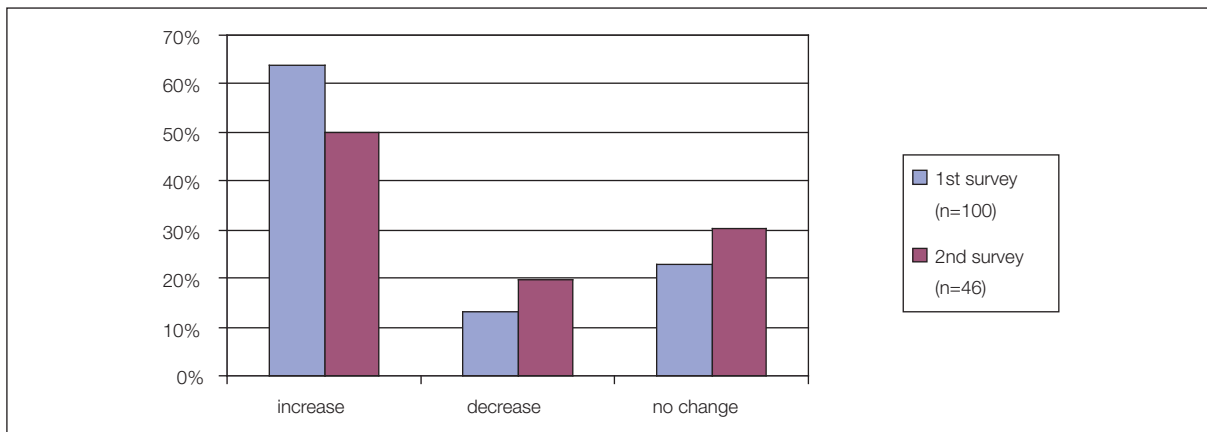
Group 3: five SPOs (10%) which experienced declining retail sales as well as declining PO sales. In these cases, the DUPOF improvements have been unable to stem the overall decline in sales turnover (at least at the time of the interview). The main reason given by SPMs in the second and third groups for the consistent decrease in the post office sales was the loss of trade due to the change to benefits payments. The decline in retail sales was mainly attributed by the SPMs to increased competition from larger firms.

(ii) Profitability

At the time of the first survey many SPMs felt that it was too soon for them to be able to accurately assess any change in the profitability of their business since receiving the DUPOF grant, although most were able to give a rough estimate when encouraged to do so. Nearly two-thirds (64%, n=100) identified some increase in profitability (estimated average increase: 17%, median 16%, n=50). In over one fifth (23%) of cases, there had been no discernible change in profitability, while 13% reported a decrease (estimated average decrease: 9%, median 5%, n=8) (Figure 3.6).

In the follow-up survey interviewed SPMs were asked about the trend in profitability since completing the alterations. The findings shown in Figure 3.6 suggest that there has been a subsequent worsening of the performance of SPOs, with just half of them identifying an increase (estimated average increase of 19%, median 18%, n=18) and a fifth reporting a decrease (estimated average decrease 16%, median 10%, n=9).

Figure 3.6: Changes in profitability since DUPOF alterations comparing first survey and follow-up survey



(iii) Reasons for changes in business performance

Those SPMs who identified positive changes in the number of customers, turnover and profitability at the time of the first survey attributed these mainly to the DUPOF-funded improvements which had led to increased customer spending and/or new customers. The following quotations illustrate how some SPMs explained the change in the performance of their businesses:

“Because we have improved the shop – it is now more inviting, with more product lines and a higher standard of service.”

“The layout of the post office is more attractive – there is a better display of products and the environment looks smarter.”

“The post office is doing better because of the changes made to the shop and offering new lines of goods on the retail side.”

“The increase is caused by the improvements made with the DUPOF grant. For instance, people in wheel chairs now have access to the shop, it is more modern, more inviting, the layout is a lot better. And because of good presentation, people like coming here.”

“The business is now improving because customers are spending more. There are more things in the shop and the layout is better.”

“The increase is caused by a combination of the DUPOF improvements and closure of other nearby post offices.”

“Due to the renovations, the shop is more professional. The premises are safer and the retail side of the business has a wider range of products.”

“We are doing well because we have now a better looking PO. We are now more efficient, and in a position to offer better services.”

“The business is improving because banking is now offered – there are no other banks nearby – and we are now able to provide better retail and are operating in a nice environment.”

Similarly, the SPMs interviewed in the follow-up survey were asked what had been the main factors that had affected the performance of the business since the alterations were completed. Once again, the main factor identified by 80% (41) of the respondents was the positive effect of DUPOF improvements on the business. In comparison, other factors appeared to have less significance, with a quarter of SPMs referring to increases in customers due to local POs closures and 6% mentioning the influence of other recent improvements. In terms of negative influences, one third of the SPMs referred to the ongoing loss of PO customers.

When asked to what extent the performance of the business matched with the projections in the business plan submitted with the DUPOF application, a third (33%) reported that business performance matched well with projections, another third (35%) said it did match “to some extent” with the projections, and 20% responded that the projections did not match at all. A few SPMs (10%) stated that performance had exceeded the business plan’s projections.

(iv) Explaining best performance

It is instructive to look more closely at some of the best performing SPOs in order to clarify the relative roles of the DUPOF improvements and other factors in explaining performance. Here we focus on seven cases from the follow-up survey that estimated that their overall sales turnover had increased by more than 30% and reported being profitable. The average increase in the sales turnover of these cases was 65% (median 50%). On average, the SPMs estimated that 48% of their current sales turnover was directly attributable to the DUPOF project work and in the five cases where local closures had also had an effect, that this had contributed to 22% of their turnover. The seven SPOs had taken on an average of three new members of staff, with the largest increase being five new staff (2 cases).

In terms of the PO services, five of the SPMs reported an increase in sales (mean 21%, median 10%), while one had not experienced any change, and the other experienced a 40% decline. The increases were partly attributable to the introduction and expansion of certain PO products (banking services, foreign exchange, phone cards) and to customer migration resulting from the closures of nearby post offices. All seven SPMs had improved the queuing system, six had enhanced the layout, and five had built more PO counters.

On the retail side, all seven cases reported an increase in sales (mean 63%, median 50%) with retail sales doubling in three cases. The kinds of retail lines which were expanding included cigarettes and stationary (4 cases) and sweets, national lottery, groceries and toiletries (3 cases). The products being introduced included: newspapers and magazines (4 cases); sweets, stationary, medicines, household, cigarettes (3 cases); national lottery; and gifts (2 cases).

Interestingly, five of the SPMs had made further investments in the business since the DUPOF funded improvements, with two of them investing a further £50,000 and three of them less than £15,000. This is an indication of the commitment of these SPMs to grow their businesses. The majority (5 cases) felt confident and positive about the changes, were ambitious and growth oriented, and felt their attitude and approach towards running the business had changed greatly as a result of the business support and advice received.

However, perhaps surprisingly, two of the SPMs considered that they were still at risk of closure. The following quote illustrates the factors behind this perception of ongoing risk:

“The rent is very expensive and the decline in PO customers is an ongoing situation since they shift to bank accounts. Not even the new PO services such as insurances have helped because 80% of customers are on benefits and they don’t have much money to spend.”

To summarise, therefore, it is clear that the growth of these SPOs is mainly the result of expanding retail sales, with some growth of PO services in several cases. The kinds of retail lines which were being introduced or expanded were those that are normally seen as complementing PO services, rather than some of the more innovative and unusual lines found in some of the other cases. The DUPOF improvements had had an important positive impact on the business performance of these cases, although local PO closures had also contributed to customer and sales growth in most of them.

(v) Explaining poor performance

Here we take a closer look at the 10 SPOs that suffered from reduced sales turnover after the DUPOF alterations in order to ascertain why the improvements appeared not, at time of the interview, to have helped in these cases. They experienced an average decline in overall sales turnover of 15% (median 10%) and an average decline in PO sales turnover of 18% (median 15%). All of them had experienced a decrease in the numbers of general public customers, although only one had also experienced a decline in business customers. Six of them had suffered a decrease in overall profitability.

Although a combination of contributory factors can be identified, the main reason for poor performance appeared to be that the DUPOF improvements had not been sufficient to stem the ongoing loss of PO customers, largely attributable to the shift to the direct payment of benefits. In fact there was an average decline in retail sales of 3% (median 4%), although half of them managed an increase in retail sales. The loss of PO customers had adversely affected non-PO sales as well in several cases, and several mentioned that they had experienced an increase in local retail competition, including losing customers as a result of the opening of a local Tesco store in one case. Significantly, only two of the 10 POs had experienced the closure of other POs in the locality, indicating that these cases had not been able to benefit from customer migration.

3.5.3 Expected performance of business without DUPOF assistance

In both surveys the interviewed SPMs were asked what they would have expected to happen to their business if their application to DUPOF had been unsuccessful. At the time of the first survey, 11% indicated that their business would have closed within six months, 73% indicated that they would have survived longer than six months, while 13% said they would probably have survived by ‘muddling through’. Only two SPMs felt that business performance would most likely have improved in any case, albeit through alternative investment, i.e. using own funds in one case and re-mortgaging their property in another.

In the absence of the DUPOF grant assistance, 58% of SPMs indicated that they would have abandoned the project completely. However, 10% said that they would have gone ahead as now unchanged (i.e. on the same scale, time and location) but using alternative sources of finance, 22% would have gone ahead but on a reduced scale, 5% would have gone ahead but at a later date, while another 5% would have gone ahead but at a later date and on a reduced scale.

Turning to the follow-up survey, the results are broadly consistent with those from the first survey and suggest that most SPMs, after a period of more than six months since completion of the alterations, still considered that DUPOF had saved them from closure. Thirty-one per cent indicated that their businesses would have slowly declined with the likelihood of an eventual closure, and another 31% said it would have rapidly declined leading to definite closure. However, 25% said they would have survived but at a smaller size while only six cases affirmed they would have survived and stayed the same.

The survey evidence therefore shows that, as far as the interviewed SPMs were concerned, the DUPOF has been instrumental in helping them to prevent closure. It also indicates an important additionality effect, with absolute additionality in more than half the cases, and scale or time additionality benefits in another third.

It is further worth noting that of the small number (12) of unsuccessful applicants to DUPOF who were interviewed, slightly less than half were undertaking some of the improvements proposed under DUPOF using their own capital and/or other sources of funding but at much reduced scales in most of these cases. Of those seven cases that had done nothing at the time of the interview, some were considering making improvements if they could access other funding while four appeared resigned to eventual closure.

3.5.4 Impact of DUPOF on the future risk of closure

SPMs were also asked what had been the impact of the DUPOF in relation to the future risk of their business closing. Here, there is a difference between the results of the two surveys which may be a reflection of respondents' early optimism being tempered by the passage of time. At the time of the first survey, the vast majority of SPMs (94%) thought that the DUPOF funded alterations and subsequent improved business performance had been sufficient to prevent closure. Of those respondents who felt that DUPOF had made no impact on the future risk of closing (four cases), reasons given were that the improvements had not been sufficient to attract new customers and to compensate for the ongoing loss of PO related business.

The following quotations illustrate the positive nature of SPMs comments where they felt the prospects for their business had been transformed, with many of them now feeling more secure and with a renewed confidence:

"My business has definitely improved. The grant has helped to restore our faith – it has given us a life line."

"The improvements have made my business looking more appealing and better, more secure and a nicer place to work".

"Improvements on the premises have brought about renewed confidence in customers."

"The shop is more viable, I can see a future. The PO has a more pleasant environment".

"It is now the strongest post office in the area. We are now offering a large product range. There is a cash machine available now. It is now a one stop shop for all your needs."

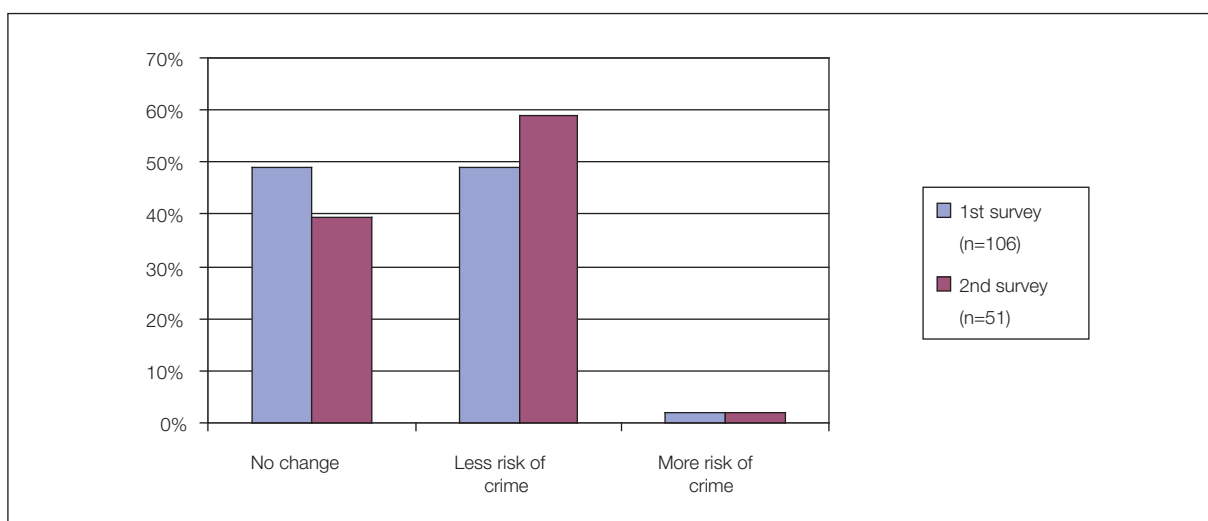
"The business activities have expanded, combining both retail and PO. The national lottery sales have increased and there is a higher sales turnover."

By the time of the follow-up survey, the proportion of SPMs who thought that the DUPOF funded alterations had prevented the risk of closure dropped to 78% (n=51). Of those who felt that the DUPOF grant had not been sufficient to prevent closure (11 cases), reasons given were the ongoing loss of PO customers to banks, expensive rent and higher overheads, and that providing new products and services had not been sufficient to counterbalance declining profits.

3.5.5 Impact of DUPOF on levels of crime and vandalism

Of the 108 SPMs interviewed in the first survey, 92% had made security-related improvements in the form of CCTV, new shutters, post office screens, automatic doors and mirrors. Only 49% of those who made such improvements, however, reported a reduced risk of crime and vandalism since undertaking the project, while another 49% felt that the risk of crime and vandalism affecting their business had not changed (Figure 3.7). In these cases the lack of impact appeared to be due to the fact that crime and vandalism had not previously been a major issue, notwithstanding that the improvements had been necessary to bring the premises up to a basic minimum level of security. Only two SPMs perceived an increased risk of crime and vandalism since undertaking the improvements, although these SPOs were located in areas where the SPMs felt that improvements to their premises alone were insufficient given the scale of the problems faced. Encouragingly, there is some indication of improvements in security over time, as 59% of the SPMs interviewed in the follow-up survey said that they thought they were now at a lower risk of crime compared with just 2% thinking that they were at a greater risk.

Figure 3.7: Change in risk of crime and vandalism since DUPOF alterations, comparing first survey and follow-up survey



3.5.6 Impact of DUPOF on staffing levels

As a result of the DUPOF alterations 52% of the 108 SPMs at the time of the first survey had taken on new staff and this was confirmed by the follow-up survey (51%, n=51). Of those increasing their employment, 48% had taken on one extra member of staff, 38% had taken on two staff and 7% were able to take on three or more staff, with the largest recorded increase being eight extra staff (4 full-time and 4 part-time).

In total, 103 new jobs had been created at the time of the first survey which were attributable to the DUPOF funding, including 26 full-time positions and 77 part-time roles (n=108). This represented an overall increase in total employment of 20%, comprising a 25% increase in part-time employment and a 12% increase in full-time employment (Table 3.6). Projecting these figures to the total of 339 assisted SPOs, therefore, we can estimate that the DUPOF programme as a whole will have generated around 320 additional jobs in SPOs in deprived areas, although of course this needs to be set against the jobs lost in those post offices that were closed as part of the Urban Network Reinvention Programme. Almost half (46%) of the additional staff employed as a result of the DUPOF grant were previously working locally, 41% were previously unemployed, and 8% were previously students. SPMs were also asked what types of work new staff were undertaking. In 74% of cases they were undertaking basic retail/clerical and PO counter service jobs, 11% were professional qualified service staff and 15% were in managerial positions.

Table 3.6: Impact of DUPOF on PO employment

| | Total jobs prior to DUPOF grant | New jobs created | % change | Current employment |
|-------------------------|--|-------------------------|-----------------|---------------------------|
| Full-time | 216 | 26 | 12% | 242 |
| Part-time | 303 | 77 | 25% | 380 |
| Total Employment | 519 | 103 | 20% | 622 |

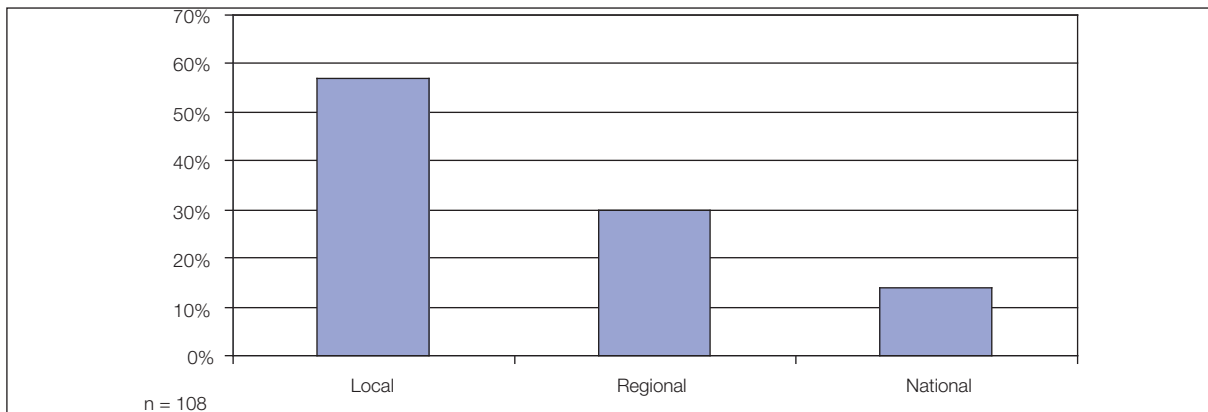
As a direct result of the DUPOF funded alterations, 90% of SPMs stated that they were also able to retain staff who otherwise would have been at risk of losing their jobs. A total of 326 jobs were identified as having been ‘saved’ in these 108 SPOs, including 106 full-time and 220 part-time positions. Furthermore, SPMs indicated that 499 jobs, or four-fifths (80%) of the current employment at surveyed POs was dependent upon the DUPOF grant work, including 176 full-time jobs and 323 part-time jobs. Again, projecting these figures for the 339 SPOs that have received DUPOF grants, we can estimate that over one thousand jobs have been saved and that around 1,500 jobs within SPOs in deprived areas are dependent on DUPOF related activities.

3.6 Impact of DUPOF on the local economy and community

3.6.1 Impact on local suppliers

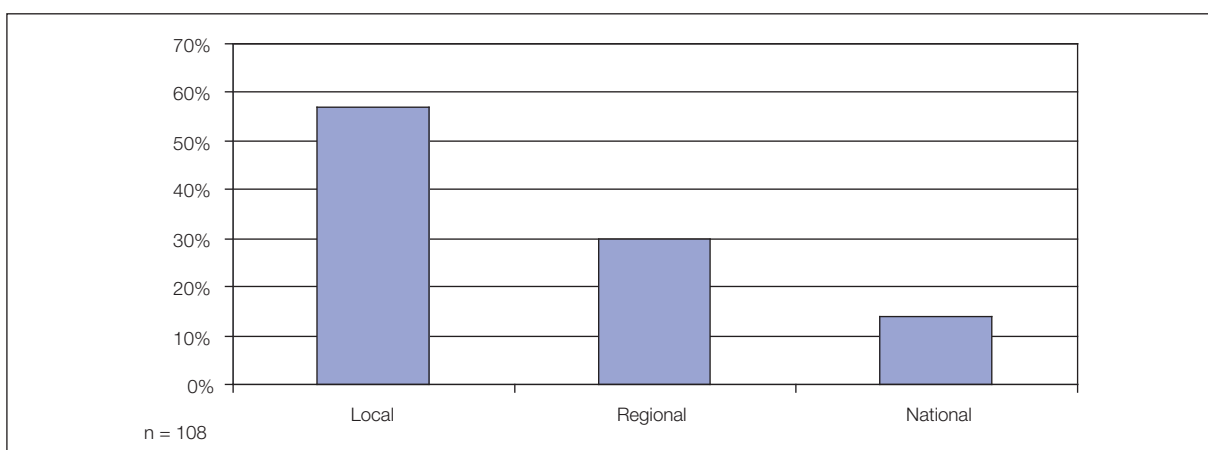
In order to gauge the extent to which the DUPOF grant improvements created work for other local businesses, the interviewed SPMs in the first survey were asked where the suppliers of building work and equipment were located. As Figure 3.8 shows, the majority of the main suppliers of building work and equipment associated with the DUPOF funded project were local within 5 miles (57%), 30% were regional, while only 14% were national. Of the 57%, the average proportion of the spending to businesses within one mile was 11%, while the average proportion within 5 miles was 82%. Thus a substantial amount of the DUPOF money spent on building work and equipment appears to have benefited other businesses within the local economy.

Figure 3.8: Location of suppliers of building work and equipment



Interviewed SPMs were asked a similar question relating to the main suppliers of goods and services associated with the new or expanded business activities. As Figure 3.9 shows, less of this spending stays within the local economy, with 46% being local, 36% regional, and 18% national. Of the local spending, the average proportion that was within one mile was 10%, while the average proportion within 5 miles was 77%.

Figure 3.9: Location of suppliers of goods and services



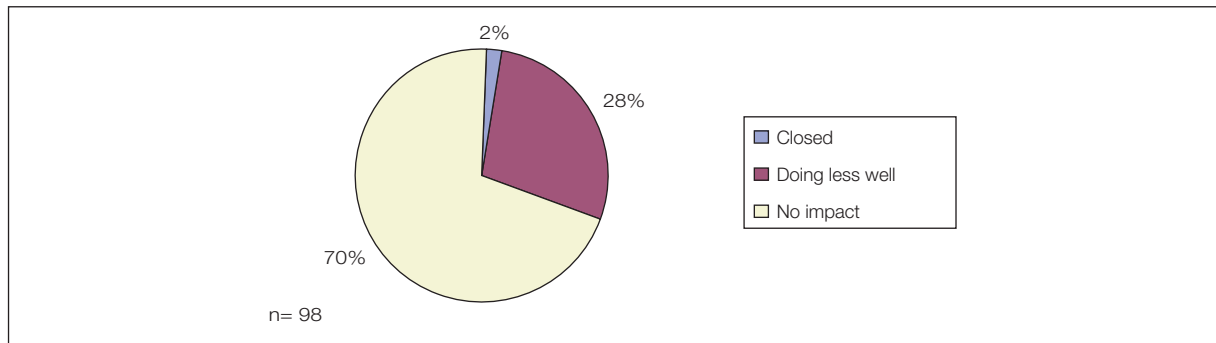
3.6.2 Impact on competitors

One of the possible implications of providing assistance to SPOs to enable them to introduce new or expand existing goods and services is that other local businesses may lose trade. In other words, the assistance given to the DUPOF clients may lead to any increased trade being at the expense of other local businesses (i.e. a displacement effect). For example, if the grant enables a sub-post office to expand into grocery retailing this may lead to a loss of trade for other local grocery stores.

To obtain some measure of these possible displacement effects, SPMs were asked about their competitors, including any adverse effects that the DUPOF funded project may have had that they were aware of. Most (97%) SPMs in the original survey identified competitors within one mile; the average number of PO competitors within one mile being one, while the average number of retail competitors was six. Competitors identified included newsagents, off licenses, mini-markets, supermarkets, co-operative stores, and discount stores – all of which were located within one mile and some ‘just a few doors away’. Even those SPOs diversifying into more unusual products/services (e.g. hot food) tended to identify competitors within one

mile. Unsurprisingly, SPMs found it difficult to gauge what the effect of the DUPOF funded project on competitors had been, although when encouraged to make a judgement, 70% thought that the project had had ‘no impact’ on competitors and 28% thought their competitors were doing ‘less well’ (Figure 3.10).

Figure 3.10: Effects of DUPOF on competitors



It is also possible for there to be beneficial effects for other local businesses if the newly introduced products and services complement those of other local businesses and if the additional customers that the SPO attracts also visit other local shops. SPMs were therefore asked about any positive impacts that the DUPOF funded project may have had on nearby businesses, i.e. in terms of increases in the number of people using other local shops and services.

Figure 3.11: Impact of DUPOF on the use of local shops and service

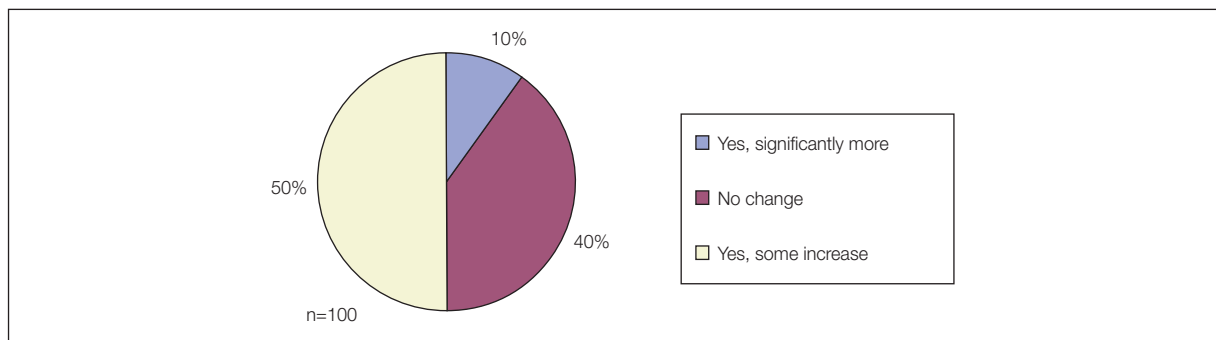


Figure 3.11 shows that three-fifths were able to identify such an increase, while 40% reported ‘no change’.

Some examples were given of how the improvements to the SPO had also benefited other shops, illustrated by the following quotes:

“More people are coming to the PO now and using other shops while they are here. When the PO is not open (e.g. during the refurbishment) other shops go dead. When customers use the PO, instead of driving away they do all their shopping in the area”.

“Cards have attracted more people to the area because of the quality, and the same customers also shop around in grocery shops in the area”.

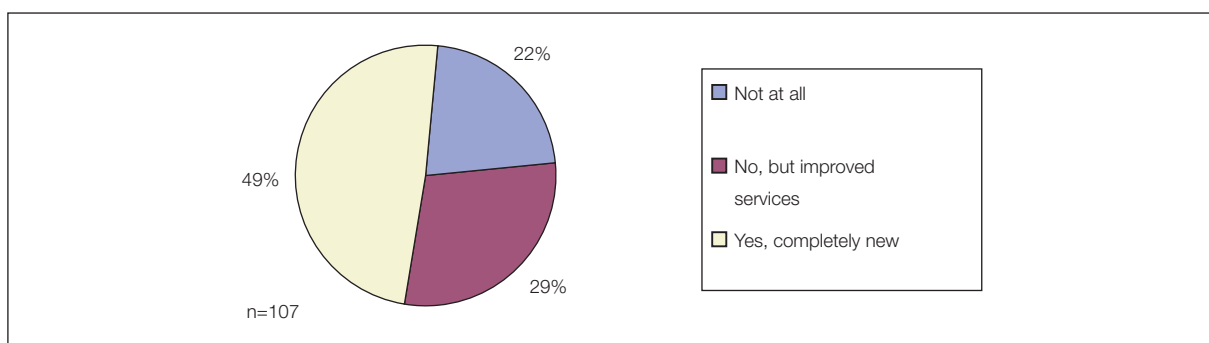
“People come to receive money from the PO and spend it in other shops in the area. If the PO was not there people wouldn’t come into the area at all”.

When asked whether or not the newly introduced products/services complemented the goods and services offered by other local businesses, nearly two-thirds (63%) of SPMs thought that they did. Examples of such complementarity included new PO banking customers and cash machine users also shopping at nearby retail outlets and greeting cards complementing local florist shops.

3.6.3 Impact on the local community

SPMs were asked to what extent they were now offering goods and services that were not previously available; 49% reported that they were offering services that had previously been unavailable, while 29% were offering services which were improved (Figure 3.12).

Figure 3.12: Extent to which new goods and services were not previously available locally



As well as offering a wider range of products, including fresh fruit and vegetables in some cases, other examples of the new services offered included financial services such as cash machines, car insurance, travel insurance, home insurance, foreign exchange services, electronic top-up facilities for gas and electricity, dry cleaning services, film processing, and photo booths.

The interviewed SPMs were also asked about any other ways in which the DUPOF funded improvements were benefiting the local community. Apart from the improvements providing a better shopping environment and thus attracting people to make greater use of local community stores (i.e. rather than going to town centres), SPMs also felt that the revitalised SPO would help bring more business into the community. Respondents also believed that the improvements had helped to reduce crime, thus making local people feel safer. One SPM referred to the informal help he continued to provide to local people of ethnic minority origin whose English language skills were poor, particularly with respect to visa and passport applications and other official documents. Many SPMs emphasised that the effect of closure of their PO would have been extremely negative for the local community, particularly for the elderly:

“It would have been catastrophic to older people, single mothers and people on income support. They would have to travel two miles”.

“The local community would have been very disappointed because they would have to go to another PO, especially elderly people. The majority of shops would have closed. When we were closed for refurbishment the adjacent shops were very quiet. People would go elsewhere”.

“It is likely that a number of shops would have been put in jeopardy – they would have not survived. It would have affected pensioners – they would have been lost”.

“It would have been absolutely devastating for people – they would have had to walk or travel for longer distances. Local business would have closed”.

“It would have been disastrous – the post office is the heart of the community, for pensions and benefits and so on. People would have gone somewhere else to spend their money and local shops would have closed down”.

In the follow-up survey, SPMs were also asked about whether or not the SPO had benefited from any recent improvements in the wider locality. The main benefits identified were from parking improvements (27% of cases), new housing developments (25%), and new CCTV cameras (18%). Other benefits applied to only a few cases, but included public transport improvements and in one case, the opening of a new business park.

3.7 Other benefits of DUPOF

3.7.1 Lessons from hindsight

In the light of their experience, the 51 SPMs in the follow-up survey were asked if they would have done anything differently if they had the opportunity to spend the DUPOF grant money again. Fifty-seven per cent said they would not have done anything differently. Of the remaining 43%, most would have made further changes to their premises, including improvements to the front of the SPO to make it more noticeable, expanding the premises to increase the store area, adding to the number of counters, and putting in a new floor. In two instances SPMs said they would have adopted a different layout to overcome problems of limited space.

The second most frequently mentioned difference of approach related to the goods and services provided, with several SPMs regretting that they had not introduced more goods and services. For instance, one SPM said that given a second chance he would have *“concentrated more on the whole business rather than only on the PO side of it”*. Another SPM wished he *“had kept better control of the finances as they spent about £50,000 to £80,000 on top of DUPOF grant”* and another reported that the digital photo processing was *“far too expensive”* and that buying a photo booth could have been a better alternative. Another SPM regretted rushing the improvements and spending more money in hiring several contractors, which, as he explained, could have been prevented if they had done a better plan of the improvements to be made.

3.7.2 Value of the business advice

The 51 SPMs interviewed in the follow-up survey were also asked a number of questions about the business advice that they had received as part of the application process for a DUPOF grant and also the longer term value of the business plan they were required to prepare and submit as part of the same process.

With regard to the business advice received, two thirds (67%) had found this to be of 'great value', typically commenting how useful it had been in terms of direction, practical advice and making the correct decisions. Nearly a third (29%) described the advice as being of 'some limited value' only, often because it had not made a substantial difference in terms of longer-term viability and/or had been lacking in specific detail and direction. Three SPMs in this category thought that the advice, although good, had not added anything beyond what they already knew. Only 2 cases (4%) felt the advice had been of 'no value whatsoever'; one SPM, for instance, felt he had not received any substantive business advice but only guidance on how to fill out the required forms.

The SPMs in the follow-up survey were also asked how useful the business plan prepared as part of the DUPOF application had proven. Again, two thirds (65%) found the plan to be of 'great use' in furthering the development of their business, for example: *"the business plan was a very useful tool which we refer to constantly to make sure we are going in the right direction"*; and *"the business plan helps out thinking how to precede"*.

Of the fifth (19%) who found the business plan of 'some limited value' for the development of their business, the reasons given were typically that the plan had primarily contributed to strengthening their application but had been of little use or relevance beyond this: *"the business plan helped getting the grant and helped survival but it has not been enough to make us grow"*; *"by following the business plan we thought we were going to be more successful."* In only eight cases (16%) did SPMs find the business plan of 'no value whatsoever'. For example, one SPM said that he had not looked at it at all since it was prepared, another said that he had only produced a business plan because it was required, whilst another commented that the business plan worked in theory but quickly became outdated because it did not adapt to the reality of the business.

Finally, SPMs were asked how their attitude and approach to running the business had changed as a result of the business support and advice they had received. Almost half of respondents (45%) considered that their approach had changed considerably, compared to 35% who said it had changed to some extent, and 20% who felt it had not changed at all. When asked about the main reasons for these changes, 71% felt 'more confident and positive' and 33% said that they now felt 'more ambitious and growth oriented'. Eight per cent felt that they were more responsive to customers and market needs and 6% were now more open to opportunities. A few said that although they were now 'more forward looking', their changed attitudes were being thwarted by difficulties with their location, size of the premises or increased competition.

3.8 Conclusion

The results of the two surveys conducted with the DUPOF assisted SPMs reinforce the findings of the analysis of all DUPOF applicants in the previous chapter in showing that most of them received a grant of between £40,000 and £50,000 which constituted, on average, three quarters of the total investment in the project. The survey findings also confirm that over 90% of SPMs used the grant towards shop refurbishment, with a similar proportion also making security improvements. A measure of the additionality of the DUPOF grant is given by the evidence that 58% of the SPMs said that the improvements would not have gone ahead at all without the DUPOF grant and a further 22% indicated that they would have still gone ahead but on a reduced scale.

With respect to activity to diversify the business, just under two thirds of the SPOs had introduced new retail goods and services, although in the majority of these cases the new lines were related to what the business was already providing. Just one fifth of SPOs were found to have diversified into products and services that were distinctive and unrelated to their existing goods and services. The introduction of new PO services was found to be much less common than that of retail services, confirming that the DUPOF assistance is being used mainly to help SPOs reduce their dependence on PO services. The pressure to diversify away from PO services is illustrated by the evidence that for over 80% of the SPMs, the decline in PO income was the main factor affecting the performance and future viability of their business.

Overall, the interviewed SPMs were positive about the impacts that the DUPOF funded alterations were having on their business, with the majority of them at the time of the first survey reporting increases in customer numbers, rising sales turnover (particularly on the retail side), and improved profitability. However, the follow-up survey indicates that some of SPMs' assessments of the impacts have become more qualified over time. In fact, the initial growth in general public customers appears to have tailed off, although a significant trend was the sustained increase in business customers for the PO services relative to general public customers. The growth in sales turnover in many SPOs was attributable to the combined effects of the DUPOF improvements and the migration of customers resulting from local post office closures, although closer examination of these cases indicates that the DUPOF grant has had the greater impact on sales turnover.

In terms of the wider impacts, the survey evidence indicates that the DUPOF assistance has had a number of benefits for the local economy and community. Projecting from the survey evidence, it would appear that the DUPOF has saved about one thousand jobs and created over 300 additional jobs in SPOs in the most deprived urban areas. In addition, much of the work associated with the DUPOF improvements has benefited local building contractors and suppliers. The effects on other local businesses are more difficult to reliably assess solely from the answers of the SPMs, although the majority of them thought that the DUPOF changes had not had an adverse effect on their competitors and that other local shops have benefited from increases in the numbers of customers drawn to the locality.

In the next chapter we focus on twelve case study examples of the DUPOF assisted SPOs to enable us to consider in more detail the impact that the improvements have had, not only on the business itself, but also on the wider local economy and community. Whereas this chapter has been solely based on interviews with the SPMs, the case study visits have enabled us to obtain the views of customers of the SPO and other local businesses.

Chapter 4: Analysis of the DUPOF and closure case studies

4.1 Introduction

This chapter presents the results of the more detailed research undertaken on 12 DUPOF case studies and four closure case studies. This enables us to examine the issues discussed in the previous chapter in greater depth and from the perspectives of both general public and business users and non-users of the assisted sub-post offices (SPOs) rather than relying solely on evidence from interviews with the sub-postmasters (SPMs). In addition, comparison with the four closure case studies provides a counter-factual situation against which the beneficial effects of the DUPOF assistance on local economies and communities can be assessed against the likely effects that the possible closure of these SPOs would have had.

4.2 Profile of DUPOF case studies

4.2.1 Surveys undertaken

Case study surveys of sub-post offices receiving DUPOF grants were conducted in the following localities: five in the North West (two in Bolton, one in Liverpool, one in Birkenhead, one in Manchester), two in the North East (both in North Tyneside) and three in Yorkshire and Humberside (Dewsbury, Doncaster and Pontefract), one in the East Midlands (Grantham); and one in the West Midlands (Birmingham). The case studies were purposively selected to represent a variety of grant aided projects and also different types of businesses and locations.

In each case study, the aim was to conduct interviews with a representative sample of 20 general public users and 10 general public non-users living within half a mile of the SPO and a sample of up to 10 local businesses users and five business non-users located within half a mile of the SPO. Most of the general public users were interviewed inside or near to the SPO. Non-users were mainly found by knocking on doors of households in nearby streets. The aim was that the sample should broadly reflect the structure of business in the locality, although in some cases the selection was largely determined by the limited numbers and/or accessibility of businesses within half a mile of the SPO; hence in some cases it was not possible to achieve the relevant quota due to there being very few other businesses within the locality.

Interviews were also conducted with the sub-postmaster (SPM); as well as contributing to the wider survey of SPMs (see chapter 3), these interviews also provided background information for the case studies.

The following analysis is therefore based upon:

- 248 general public users of the 12 DUPOF assisted SPOs.
- 123 business users of the 12 DUPOF assisted SPOs.
- 126 general public non-users of the 12 DUPOF assisted SPOs.
- 62 business non-users of the 12 DUPOF assisted SPOs.

4.2.2 Profile of the DUPOF case studies

Brief background details of the case studies are summarised below and further details are included in Appendix IV. To preserve a degree of anonymity, each case study will be referred to by the city/town that it is located in rather than by its specific location street/area.

North Tyneside A

Employment size: 2 (of which 1 p/t)
Cost of alterations: £34,976 (100% DUPOF)
Nature of alterations: Installation of tanning machines; refurbishment; improved security.
Work completed: 17th August, 2003
Nature of location: residential suburb north east of Newcastle city centre, within a small parade of shops adjacent to an industrial estate containing a range of enterprises; many semi-detached private residences to east and south of the PO.
Comment: Unusual choice to introduce a tanning shop – a facility that was not previously available to the immediate locale.

North Tyneside B

Employment size: 7 (of which 4 p/t)
Cost of alterations: £73,000 (£50,000 DUPOF; £23,000 own money)
Nature of alterations: relocate to and refurbish new premises, new equipment, security, refrigeration and increase in product ranges stocked
Work completed: September/October, 2003
Nature of location: North of Newcastle in a new shopping parade with a mix of typical retail businesses; mix of private and trust housing.
Comment: much improved service, including increase in PO banking service which is likely to be important in context of the reduction of local high street banking services.

Bolton A

Employment size: 6 (of which 4 p/t)
Cost of alterations: £17,171 (100% DUPOF)
Nature of alterations: refurbishment, equipment for new services (digital camera for passport photos, photocopier, fax machine and new retail lines including cigarettes), security.
Work completed: June/July, 2003
Nature of location: on the north west side of Bolton on a main road position alongside a number of other small businesses, mainly retail but some services, and surrounded by residential area (mainly terraced houses); on the north side of the main road is also an industrial estate containing a variety of small and medium size businesses, including some light manufacturing.
Comment: A relatively small project followed by a significant improvement in business turnover and profitability, although this attributable in part to customer migration as a result of local PO closures.

Bolton B

Employment size: 5 (of which 1 p/t)
Cost of alterations: £36,000 (100% DUPOF)
Nature of alterations: refurbishment, expansion of retail area (including for refrigeration units, fresh fruit and vegetables, toiletry items) improved access and security.
Work completed: end of February, 2004
Nature of location: located on the corner of busy cross roads at the heart of a largely residential area to the south west of Bolton. There are a number of other retail and service businesses nearby. Customers are largely elderly/retired.
Comment: PO and retail considerably improved and apparently much appreciated by local community.

Dewsbury

Employment size: 6 (of which 2 p/t)

Cost of alterations: £34, 976 (100% DUPOF)

Nature of alterations: refurbishment, improved retail outlet including installation of food preparation area and equipment, security.

Work completed: February, 2004

Nature of location: on a busy road three quarters of a mile from Dewsbury town centre; mixed residential, including more deprived/ethnic minority community near to more affluent streets; near to school, college and hospital which also bring many customers.

Comment: PO owner provides a lot of informal/out of hours help to ethnic minority community with respect to forms/officialdom where language is a barrier; introduction of hot food alleged to have taken away a lot of business from snack bar next door to PO, causing considerable resentment on part of owner/employees of this business.

Liverpool

Employment size: 7 (of which 3 p/t)

Cost of alterations: £100,000 (50% DUPOF, 20% own money, 30% bank loan)

Nature of alterations: complete refit of premises, including expansion of retail space and security; new retail facility offers newspapers/magazines, sweets, cigarettes and tobacco, cards and stationary, lottery terminal.

Work completed: mid February, 2004

Nature of location: in an area of severe urban deprivation on the south east fringe of Liverpool; in a busy parade of shops opposite a bus terminal.

Comment: this PO has experienced severe difficulties, including ongoing vandalism (in spite of security improvements). Expansion into newsagents/sweets/cigarettes etc has caused great resentment on the part of the owner/employees of a nearby newsagent who claimed to have lost a lot of business as a result. Nevertheless, the improvements were clearly much needed and appreciated by most other business and general public users.

Grantham

Employment size: 10 (of which 8 p/t)

Cost of alterations: £49,997 DUPOF; (£5,000 own money)

Nature of alterations: refurbishment, extension of retail floor space and increased range of retail lines, security.

Work completed: end of April, 2004

Nature of location: suburban high road near a small enclave of other shops/services and a large housing estate; also several schools and a small industrial estate.

Comment: improvements have significantly improved prospects for the business. Introduction of car tax in particular has compensated in large part for loss of pensions and benefits customers.

Birmingham

Employment size: 7 (of which 2 p/t)

Cost of alterations: £40,930 DUPOF; £20,000 soft loans

Nature of alterations: refurbishment and extension of retail, security

Work completed: mid August, 2004

Nature of location: Small Heath ward is a multi-racial (mainly South Asian) area, east of city centre, on a busy main road with a variety of retail/service businesses and surrounded by residential accommodation.

Comment: considerable increase in turnover since improvements, attributable in part to migration of customers from nearby PO closure. Two new staff members taken on since improvements made (1 f/t, 1 p/t).

Birkenhead

Employment size: 7 (5 p/t)

Cost of alterations: £80,000 (£50,000 DUPOF; £35,000 bank loan; £5,000 own money)

Nature of alterations: relocation and complete refurbishment; expansion of retail lines; security

Work completed: March, 2004

Nature of location: in a new parade of shops within a very run down residential area

Comment: need to relocate prompted application to DUPOF – would have closed otherwise; enlarged PO/shop now offers a much better service and is much appreciated by local people; retail is complementary to local area (turnover has increased considerably) and business is now very successful.

Manchester

Employment size: 7 (2 p/t)

Cost of alterations: £160,000 (£50,000 DUPOF; £110,000 bank loan)

Nature of alterations: relocation + refurbishment of new premises (small supermarket)

Work completed: early October 2003.

Nature of location: city centre, very near the university and training hospital – 90% of customers are students.

Comment: DUPOF has improved the prospects of this business, although owner would have taken similar action (albeit more slowly) without the grant. Many retail competitors nearby but only one other PO and this due to be closed.

Doncaster

Employment size: 8 (of which 5 p/t)

Cost of alterations: £43,924 (DUPOF)

Nature of alterations: refurbishment and refit; photo booth, photo processor; security.

Work completed: July 2004

Nature of location: high street location in small town centre with surrounding housing

Comment: this PO is also a sorting office and was therefore unlikely to close, despite declining profitability. Had already been developed considerably with investment from owner and the Post Office prior to DUPOF. Two other POs within one mile, both of which had also received DUPOF grants. Business is now more viable with DUPOF improvements.

Pontefract

Employment size: 5 (4 p/t)

Cost of alterations: £77,000 (£50,000 DUPOF; £27,000 bank loan)

Nature of alterations: refurbishment and expansion of retail

Work completed: May 2004

Nature of location: town centre at apex of two busy roads

Comment: turnover has improved considerably but this appears in large part due to migration of customers from a local PO closure. Nevertheless, DUPOF improvements have also contributed to improved prospects and have provided a brighter, more welcoming and business-like setting.

4.2.3 Performance since DUPOF related improvements

The case studies differed with regard to the trend in PO sales turnover since the improvements, with seven reporting an increase, three no change (these were North Tyneside A, Bolton A and Doncaster) and two a decrease (Grantham and Manchester). The average estimated change was a 15% increase (median 17.5%) in the 10 cases where SPMs felt able to make an estimate. However, all case study SPOs had experienced an increase in retail sales since the improvements, with an average increase of 27% (median 25%) in the nine cases where SPMs were able to give an estimate. All of the case study SPMs were subsequently re-interviewed in the context of the follow-up survey. At this time, the same number of cases (7)

reported an increase in PO sales turnover (Liverpool, Bolton B, Dewsbury, North Tyneside B, Birkenhead, Pontefract and Birmingham), four reported a decrease, these being, Doncaster, Manchester, North Tyneside A, and Bolton A; and just one experienced no change (Grantham). The average increase in PO sales turnover was 14% (median 10%), with the highest increase at 100% and the biggest decrease being 30%. Similarly, a declining pattern is observed when analysing the retail sales turnover. Ten case study SPMs reported an increase while two experienced no change, with an average increase of 26% and a median of 20%.

With regard to changes in profitability, nine of the case study SPMs initially reported an increase since the DUPOF changes, one 'no change' and one a decrease, while one case was unable to give an answer. Only seven SPMs were able to estimate the change in profitability, with an average increase of 14% (median 15%). In the follow-up interview SPMs were asked again about the trend in profitability since completing the alterations. The findings showed that the number of cases identifying an increase in profits went down to 7 cases, just one experienced a decrease and another was unable to give an answer, while three cases reported no change. The average increase in profits was 24% (median 20%).

In the light of these findings, the overall performance of the 12 case studies is positive. It is noticeable, however, that from the time of the first interview to the follow-up survey, SPMs were less optimistic, reflecting decreasing levels in PO and retail sales turnover.

4.2.4 Profiles of the interviewed general public users and non-users

Key characteristics of the 374 members of the public surveyed (248 users and 126 non-users) across the 12 case studies are shown in Table 4.1.

Of those interviewed:

- 60% of users and 62% of non-users were female;
- 86% of users and 87% of non-users were White and 10% of both samples were South Asian;
- 32% of users and 23% of non-users were aged 65 plus;
- 12% of users and 14% of non-users were aged under 25;
- 37% of users and 44% of non-users were employed, and 11% and 12% respectively were unemployed;
- 36% of users and 22% of non-users were retired.

Table 4.1: Characteristics of general public users and non-users surveyed

| Characteristic | PO public users | Public non-users | Total |
|----------------------|-----------------|------------------|-------------------|
| Ethnicity | | | |
| White | 214 (86%) | 110 (87%) | 324 (87%) |
| South Asian | 24 (10%) | 13 (10%) | 37 (10%) |
| ACB | 9 (4%) | 3 (2%) | 12 (3%) |
| Chinese | 1 (1%) | 0 (-) | 1 (0.3%) |
| Age | | | |
| <25 | 30 (12%) | 17 (14%) | 47 (13%) |
| 26 – 40 | 88 (36%) | 54 (43%) | 142 (38%) |
| 41 – 64 | 51 (21%) | 26 (21%) | 77 (21%) |
| 65+ | 79 (32%) | 29 (23%) | 108 (30%) |
| Gender | | | |
| Male | 98 (40%) | 48 (38%) | 146 (39%) |
| Female | 150 (60%) | 78 (62%) | 228 (61%) |
| Social Status | | | |
| Employed | 92 (37%) | 55 (44%) | 147 (39%) |
| Unemployed | 28 (11%) | 15 (12%) | 43 (12%) |
| Retired | 88 (36%) | 28 (22%) | 116 (31%) |
| Housewife | 25 (10%) | 20 (16%) | 45 (12%) |
| Student | 11 (4%) | 5 (4%) | 16 (4%) |
| Disabled | 2 (1%) | 1 (1%) | 3 (1%) |
| Long Term Sick | 2 (1%) | 2 (2%) | 4 (1%) |
| Total | 248 | 126 | 374 (100%) |

Overall, the user and non-user samples are very similar in their composition, with a bias towards female, White and respondents over 25 years old, and a minority of employed people. The most notable difference between the two samples is in the retired/age 65+ categories, but this is not statistically significant.

4.2.5 Profiles of the interviewed business users and non-users

Table 4.2 shows that the majority (48%) of the 185 local businesses interviewed were in the retail/wholesale sector, with a further 15% being in the hospitality sector (e.g. fast food, cafes, pubs) and 17% in other services (e.g. hairdressers, undertakers). The mean employment size of the interviewed businesses was 9.1 employees (median 4 employees), although the largest site visited employed 100 people.

Other key characteristics of the surveyed businesses include:

- Nearly four-fifths (79%) employed less than 10 people at the site visited;
- 55% had been trading for 10 or more years (mean age 11.3 years, median age 10 years);
- 81% of respondents were managers, 54% being the owner-managers of the business, whilst the remaining 19% were employees who were responsible for the business post (e.g. administrators/secretaries/clerical staff);
- 18% were from ethnic minorities, the largest ethnic minority group surveyed being South Asian (16%).

Table 4.2: Characteristics of businesses surveyed

| Characteristic | PO business users | Business non-users | Total |
|--------------------------------|-------------------|--------------------|-------------------|
| Sector | | | |
| Manufacturing | 8 (7%) | 5 (8%) | 13 (7%) |
| Distribution | 7 (6%) | 0 (-) | 7 (4%) |
| Wholesale/retail | 55 (45%) | 34 (55%) | 89 (48%) |
| Hospitality | 17 (14%) | 10 (16%) | 27 (15%) |
| Transport | 4 (3%) | 0 (-) | 4 (2%) |
| Business Services | 4 (3%) | 2 (3%) | 6 (3%) |
| Public Sector | 4 (3%) | 4 (7%) | 8 (4%) |
| Other Services | 24 (20%) | 7 (11%) | 31 (17%) |
| Trading Age (in ward) | | | |
| 1-9 years | 49 (42%) | 30 (52%) | 79 (45%) |
| 10+ years | 69 (59%) | 28 (48%) | 97 (55%) |
| Employment Size (site) | | | |
| 1-9 employees | 98 (80%) | 47 (76%) | 135 (79%) |
| 10+ employees | 24 (20%) | 15 (24%) | 39 (21%) |
| Respondent Position | | | |
| Owner/manager | 65 (54%) | 34 (55%) | 99 (54%) |
| Other Manager | 30 (25%) | 20 (32%) | 50 (27%) |
| Employee | 24 (20%) | 8 (13%) | 32 (19%) |
| Gender | | | |
| Male | 62 (51%) | 33 (56%) | 95 (53%) |
| Female | 59 (49%) | 26 (44%) | 85 (47%) |
| Ethnicity of Respondent | | | |
| White | 105 (85%) | 46 (74%) | 151 (82%) |
| South Asian | 14 (11%) | 16 (26%) | 30 (16%) |
| ACB | 2 (2%) | 0 (-) | 2 (1%) |
| Chinese & Other | 2 (2%) | 0 (-) | 2 (1%) |
| Total | 123 | 62 | 185 (100%) |

4.3 Comparison of users and non-users of the DUPOF assisted SPO

In this section we present the survey evidence relating to the use of the DUPOF assisted SPOs by both the general public and business customers. The comparison with a sample of non-users serves to highlight the distinctive characteristics and purchasing patterns of those using the kinds of SPOs that the DUPOF programme has been assisting.

4.3.1 Services used

Figures 4.1 and 4.2 summarise the pattern of service use by general public and business customers.

Figure 4.1: PO services most frequently used by general public and business customers

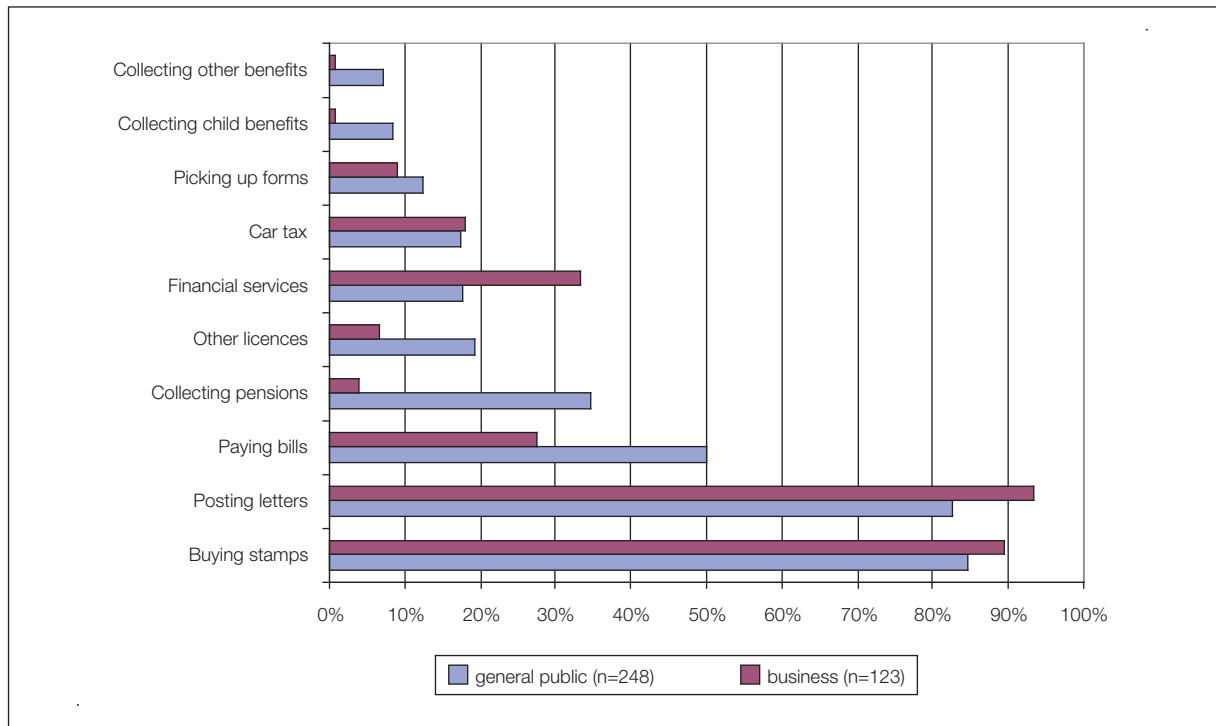
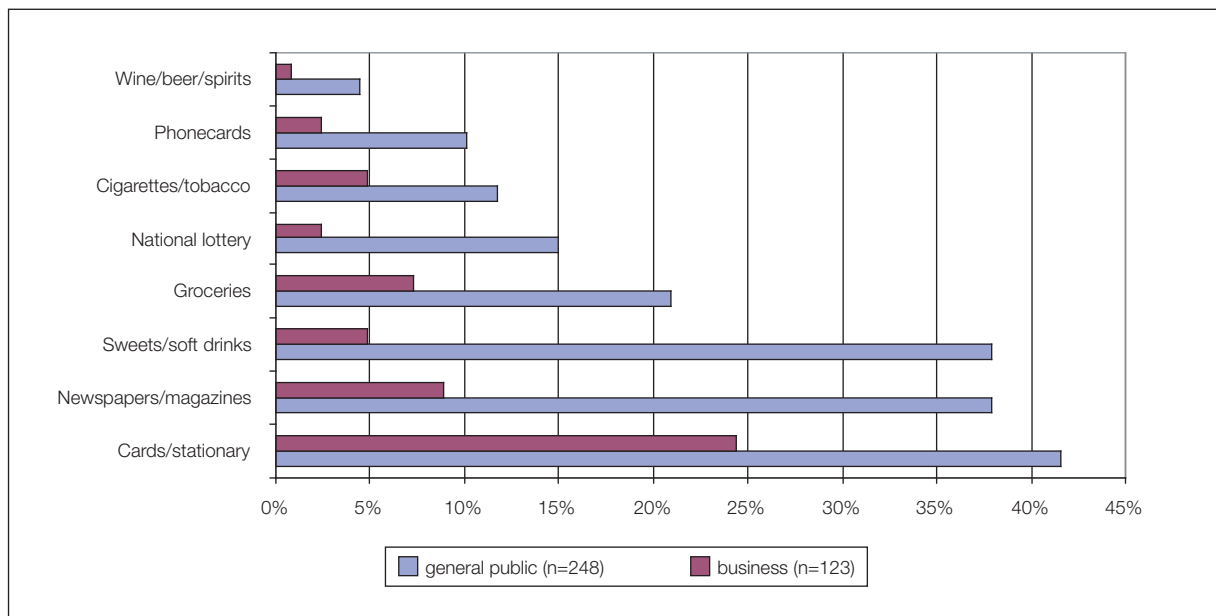


Figure 4.2: Non-PO services most frequently used by general public and business customers



Overview of all users (business and general public)

- 86% of all users of the DUPOF assisted SPOs used them for posting letters and buying stamps, 42% used them for paying bills, 23% for various financial services, 18% for car tax and 11% for picking up forms.

- In terms of retail services, the most frequent purchases were cards and stationery (36% of customers), newspapers/magazines (38%), and sweets/soft drinks (27%).

Business and general public users exhibited very different patterns of PO service use, the key differences being:

- Businesses made more use of the posting service (93%) than the general public (83%).
- Businesses made greater use of financial services (33%) than the general public (18%), whilst general public customers made greater use of the bill paying service (50% compared with 28%).
- Unsurprisingly, general public users exhibited a far greater propensity to collect pensions (35% compared with 4%) and other benefits, since it is only a small minority of businesses (e.g. care homes) that would use such a service.
- General public users also made far greater use of the 'other licenses' (e.g. television licenses) service than business customers (19% compared with just 4%). However, their use of the car tax licensing service was very similar.
- Overall, general public users made greater use of retail services, with around two fifths of respondents purchasing newspapers/magazines (38%), confectionery and soft drinks (38%), cards and stationery (42%). One fifth purchased groceries, 15% used the National Lottery, 12% bought tobacco products and one in ten bought phonecards.
- The retail services most frequently used by business customers were cards/stationery (24%), newspapers/magazines (9%) and groceries (7%).

Overview of non users

Non-users were asked which PO they used instead of the DUPOF assisted SPO. Table 4.3a shows that the majority of general public non-users frequented the next nearest PO to their home (53%, but over 60% for housewives and retired people), usually because this was a similar distance from their home (i.e. within half a mile), but was easier to get to (e.g. closer to a bus stop, or easier to walk to as less hilly). Mobility is an important issue in PO selection, since half of the people using the next nearest PO walked there and a further 17% used public transport, the remaining third being car drivers. This implies that for a majority of these people, the choice of PO is about ease of access rather than the availability of better services per se. In some cases, the next nearest PO was a larger branch office, or main high street PO, with a wider range of services. A further 13% of general public respondents used a PO in a town centre where they did their weekly shopping and 9% used a PO near to where they worked (but 25% of non-users under the age of 25), because this was more convenient for them. More than one fifth of general public non-users (21%) typically used other service providers such as banks for banking, benefits and payment services and supermarkets/newsagents/garages for purchasing stamps.

Table 4.3a: Reasons given by the general public for not using DUPOF assisted SPOs

| Alternatives used | General public | |
|--------------------------|----------------|------------|
| | N | % |
| Next closest PO to home | 67 | 53 |
| PO where do shopping | 17 | 13 |
| Bank | 19 | 15 |
| Supermarket/other outlet | 7 | 6 |
| PO near to work | 11 | 9 |
| No response | 5 | 4 |
| Total | 126 | 100 |

Table 4.3b shows that business non-users exhibited a different pattern of responses to the general public. More than one third (37%) used the next nearest PO to where they worked, whilst 21% used a bank and 2% used a supermarket/other outlet for purchasing stamps. Larger businesses and/or those with high volume mailing requirements were less likely to need access to a local SPO. Such businesses, with their own franking machines and post collections, accounted for almost one quarter of non-user businesses (24%). Key factors in the choice of PO for business users were the speed of service, parking access and the range of services available.

Table 4.3b: Reasons given by businesses for not using DUPOF assisted SPOs

| Alternatives used | Businesses | |
|----------------------------|------------|------------|
| | N | % |
| Next closest PO to home | 23 | 37 |
| Bank | 13 | 21 |
| Supermarket/other outlet | 1 | 2 |
| Franking facility in-house | 15 | 24 |
| PO near to home | 3 | 5 |
| No response | 7 | 11 |
| Total | 126 | 100 |

Other key findings relating to non-users are:

- In the case of the 126 general public non-users of the DUPOF assisted POs, 10% claimed not to use a PO at all.
- The non-user survey reveals much lower take-up of pensions (15%) than does the user survey (35%), reflecting the smaller proportion of pensioners in the non-user survey.
- Non-users made far less use of financial services than surveyed users (3% compared to 18%).

- Non-users were typically half as likely to use a PO to buy retail products. For example, the retail service most frequently used at alternative POs was cards/stationery (21%), this being half the level of use at DUPOF assisted POs (42%).

Primary reason for PO use

In answer to a question about the primary reason for using the DUPOF assisted PO, half (49%) of all customers (i.e. general public and business customers combined) used a mix of PO and other services and 49% primarily used the PO services (Table 4.4). Very few said that they primarily used the 'other services' provided. However, there were distinctive differences between the proportions of business users and general public who predominately used only PO services (82% and 32% respectively). The vast majority of general public customers used a mix of services (65%), this being particularly the case (>70%) with those aged under 25, those aged over 65, and housewives.

Table 4.4: Primary reason for using DUPOF assisted SPO/shop

| Reason | General public | | Businesses | |
|----------------|----------------|------------|------------|------------|
| | N | % | N | % |
| PO services | 79 | 32 | 101 | 82 |
| Other services | 8 | 3 | 2 | 2 |
| Mix | 161 | 65 | 19 | 15 |
| Total | 248 | 100 | 122 | 100 |

However, there were also distinctive differences between the case study POs in this respect, relating to the range and type of services provided. Thus 90% of the Bolton A and Pontefract SPOs general public customers primarily used them for their PO services, compared with none at the North Tyneside B and only 5% at Bolton B. This reflects the more limited range of retail items at the Bolton A and Pontefract SPOs compared with the other case studies, several of which ran as small supermarkets. There was less variation in business use of case study SPOs since in all cases the majority of business customers only used the PO services.

Reasons for non-use of DUPOF assisted PO

General public non-users of the DUPOF assisted SPOs exhibited a very different pattern of PO use than the 'users', with over two thirds of them (69%) only visiting specifically to use PO services, compared to just 32% of users, whilst only 30% used a mix of retail and PO services (compared to 65% of users).

The indication is that general public non-users of the case study SPOs are more likely to be using main town centre POs which provide the essential core PO services that they need (e.g. letter and parcel post, buying stamps, car tax and passport services) and only using such services when they had to, often in combination with their weekly (or less frequent) town centre shopping expeditions. The non-users also had a younger age profile and were more likely to be working and using a car and, consequently, less likely to use a local PO for retail convenience purposes.

4.3.2 Frequency of use

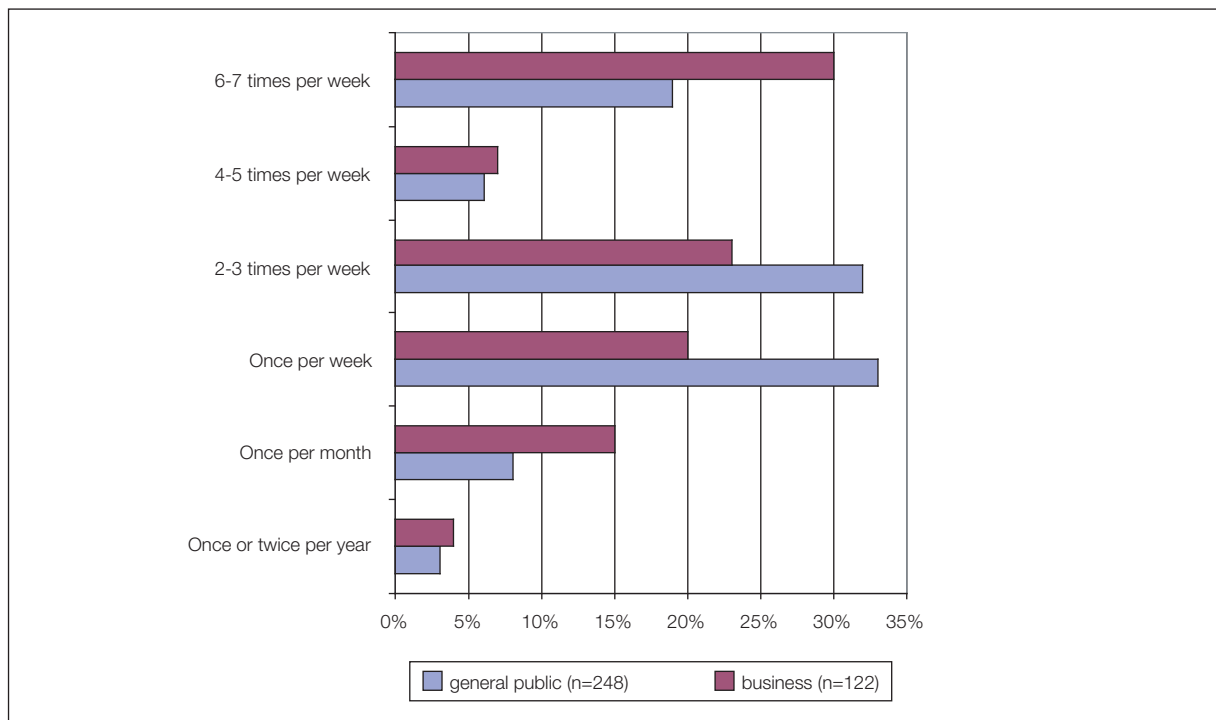
DUPOF SPO user's frequency of visits

More than one fifth of all users (22%) made use of the DUPOF assisted SPO on a daily basis and a further 35% visited several times per week. More than four fifths (86%) of customers visited the SPO more frequently than once per month. However, there are important differences between business and general public customers (Figure 4.3). Most notably, business customers exhibited greater polarity of responses with a much higher proportion using the SPO on a daily basis (30%, mainly for post and money changing facilities) when compared to the general public (19%), but also a higher proportion using the SPO once per month or less (19% compared to just 11% of general public users).

Considerable variations are also apparent between case study SPOs with respect to frequency of use. Whereas nearly half of general public customers at North Tyneside B (48%) and Grantham (45%) made daily use of their SPO, no general public customers made daily use of Bolton A and Pontefract. These differences can be explained by the location of the SPOs in relation to residential areas, the former SPOs being part of shopping parades in the middle of large housing estates, whereas the Pontefract SPO is in a town centre location.

There were also considerable variations in business user frequency between SPOs, with North Tyneside B (64%) and Doncaster (50%) exhibiting very high proportions of daily use by business customers, whilst Dewsbury (0%), Liverpool (8%) and Bolton A (10%) had very low levels of daily use. This may be explained by the proximity of case study SPOs to retail and other services (e.g. hairdressers), as this influences the number of customers that make use of change services, or post items on a regular basis.

Figure 4.3: Frequency of Use of DUPOF assisted SPO



Non-Users' frequency of PO visits

In the case of general public non-users of the DUPOF assisted SPOs, the frequency of use pattern tends to be rather different to that of the users, with a higher proportion (79% compared to 39%) using a PO no more than once per week. Conversely, only 2% of non-users visited a PO on a daily basis, compared with 30% of DUPOF PO users. Again, this supports the contention that non-users are mainly using core PO services, as and when they need to do so (e.g. for post, car tax and passport services).

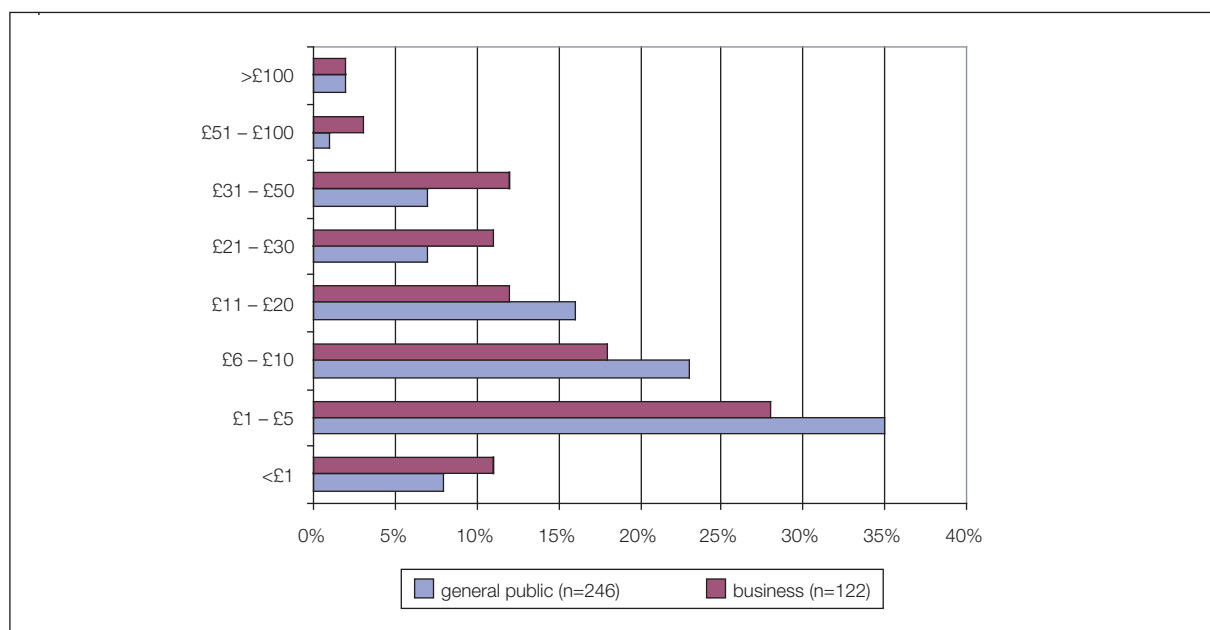
4.3.3 Spending levels

Spending by users

With regard to the average amount spent each week by customers in the DUPOF assisted SPOs, 42% of all customers (business and general public) spent £5 or less and 63% £10 or less. On the other hand, 22% spent over £20. There were considerable differences between business and general public spending patterns (Figure 4.4). A higher proportion of general public customers (66%) spent £10 or less per week than business customers (57%), whereas proportionately almost twice as many business customers (17%) spent more than £30 per week when compared with general public customers (10%).

The average weekly amount spent varied considerably between the 12 case studies. With regard to general public customers, three-quarters of customers at Bolton A, 62% at Bolton B, 57% at Birmingham and 56% at Dewsbury spent £5 or less, whilst conversely 30% at Doncaster and 20% at Liverpool and Birkenhead spent more than £30 per week. Business customer spending levels also varied. Two-thirds at Birkenhead spent £5 or less per week, whilst at the other extreme 36% at Bolton B, 31% at Liverpool and 27% at Pontefract spent more than £30 per week.

Figure 4.4: Spending in the DUPOF SPO per week



Spending by non-users in alternative POs

As well as visiting POs less frequently, the general public non-users of the DUPOF assisted SPOs also tended to spend less per week on average in POs, with 71% of them spending £5 or less (compared to 43%) of users and 85% spending £10 or less (compared to 65%).

4.4 Effects of the DUPOF assisted alterations on customers

4.4.1 Change in the frequency of use

Customers (both general public and businesses) of the DUPOF assisted SPOs were asked how often they now use the SPO, compared with before the alterations were made. The majority (80%) used the SPO with the same frequency, although 18% considered that they now made more use of it.

Increases in customer use varied according to the type of alterations that were made. In the case of North Tyneside A where the alterations involved the introduction of a tanning shop, only 14% of the interviewed general public customers and none of the business customers had increased their use of the SPO. In the case of Birkenhead, on the other hand, where relocation had led to considerably increased retail activities (including groceries, local papers, stationery and toys) 35% of general public users had increased their use. Similar increases in use were in evidence in the cases of North Tyneside B (33%), Manchester and Grantham (both 30%), Dewsbury (26%) and Liverpool (25%) where refurbishment and/or relocation had led to increased retail services including: newspapers, cards and stationery, lottery tickets, alcohol, tobacco, sweets and confectionery, groceries (including chilled and frozen foods), sandwiches and ready meals.

Fewer business customers (10%) had increased their use of the SPO than general public respondents (21%) (Table 4.5). Where increased use amongst business customers was most evident, at Liverpool (23%), Bolton A and Grantham (both 20%), this could be attributed to improved business banking facilities and the improved availability of relevant PO services (e.g. vehicle tax certification) rather than improvements to the retail side of the business.

Table 4.5: Frequency of usage of DUPOF SPO after alterations

| Spending | General public | | Businesses | |
|--------------|----------------|------------|------------|------------|
| | N | % | N | % |
| More | 53 | 21 | 12 | 10 |
| Same | 191 | 77 | 105 | 85 |
| Less | 4 | 2 | 4 | 3 |
| Total | 248 | 100 | 121 | 100 |

In the case of general public customers, the largest increase in use was by the under 40s (27%) (notably one third of the under 25s) and people visiting from a neighbouring ward (40%). On the other hand, the smallest increases in use were reported by retired people and those living outside of the ward, but working in the locality (both 13%).

4.4.2 New users at DUPOF assisted POs

In order to gain insight into the extent to which DUPOF assisted SPOs had experienced new customers, either as a result of the DUPOF related improvements or other reasons such as customer migration from nearby closures, customers at six of the case studies (n=181) were asked how long they had been using this SPO. One fifth indicated that they had changed PO within the last two years, although a higher proportion of general public (28%) than business customers (5%) had done so. The main reasons for switching to the DUPOF assisted SPO were: (i) that their local PO had closed (35%); (ii) the assisted SPO was a relocation to near where they lived (27%); and (iii) they were attracted by the improvements at the assisted SPO (16%). The closure of other nearby POs had resulted in an increase in new customers at Pontefract and Birmingham, whereas at Manchester, which had the highest proportion of both new general public (53%) and business customers (30%), this was largely the result of the SPO moving about one mile from its previous location.

4.4.3 Range and quality of services

Three-fifths of the customers of the DUPOF assisted SPOs thought that the quality and range of services was now better compared to before the alterations were made. Very few (only 3%) considered them to be worse. A wide dispersion of views was apparent, however, between the 12 case studies. At one extreme, all of the general public customers at Pontefract and 95% at Birkenhead thought that there had been improvements, whilst in a further eight case study SPOs at least half of the surveyed customers thought the services had improved. In the case of Pontefract, this response related to improved access and queuing arrangements, whereas at Birkenhead the SPO had relocated into a much larger retail unit in a new shopping parade. In two cases, North Tyneside B (38%) and North Tyneside A (18%), only a minority of the surveyed general public felt that there had been an improvement in the quality and range of services. In the case of North Tyneside A this can be explained by the DUPOF grant relating to the development of a tanning studio – a service which was not widely used by the customers surveyed.

Business customers were less impressed by the DUPOF alterations than the general public, with less than half (46%) stating that there had been an improvement in the quality and range of services offered, compared to two-thirds of general public customers (Table 4.6). Earlier findings relating to business customer spending patterns suggest that these types of customers are less likely to use retail services and are therefore less likely to appreciate the expansion and/or improvement of such services. Comments from business customers indicate that they tend to be more concerned with issues relating to the range of PO services available, PO counter opening hours (e.g. lunchtime, early morning and late evening opening times) and speed of service. Therefore the SPOs where the greatest proportions of business customers recognised that there had been improvements were Liverpool (77%), Grantham (70%), Birmingham (64%) and Bolton A (60%). At Manchester and North Tyneside A, on the other hand, where the emphasis of the improvements has been more on groceries and other services (e.g. a tanning studio), only 10% of business respondents noted any improvement.

Table 4.6 Views on quality and range of services after alterations

| Assessment | General public | | Businesses | |
|--------------|----------------|------------|------------|------------|
| | N | % | N | % |
| Better | 166 | 67 | 57 | 48 |
| Same | 76 | 31 | 58 | 49 |
| Worse | 5 | 2 | 2 | 2 |
| Don't Know | 5 | 2 | 1 | 1 |
| Total | 248 | 100 | 118 | 100 |

More than one fifth (22%) of all surveyed customers (business and general public) used the new services, with general public customers being more likely to use them (24%) than business respondents (15%), underlining that business customers are more likely to use PO than retail services. Use of the new services by the general public varied considerably between the SPOs, with North Tyneside B (62%) and Liverpool (50%) experiencing the highest levels of new service use. Grantham (50%) experienced by far the highest proportion of business customers using a new service, which related mainly to the introduction of road tax certification. Bolton B (36%), North Tyneside B (27%) and Liverpool (23%) also exhibited above average rates of new service use by business customers, which is likely to relate in part to improved business banking services.

A quarter of all surveyed customers said that they now bought items at the PO which they previously bought from elsewhere, although again this was more common amongst general public customers (33%) than business customers (9%). The proportion of general public customers was particularly high at the Grantham (60%), Dewsbury (48%), North Tyneside B (47%) and Liverpool (45%) SPOs.

A majority of general public users (72%) felt that the DUPOF assisted SPOs' alterations had improved their access to particular goods and services, this being particularly the case for Birmingham and Grantham (95%), Bolton B and Birkenhead (both 90%) and Liverpool (85%). At North Tyneside A, however, only 14% of those surveyed experienced improved access to goods and services. This reflects the fact that the tanning facility that had been introduced caters for a different clientele to the PO services and also that the locality is well provided with other shops.

4.4.4 Customer spending since the DUPOF improvements

Both the general public and business users were asked to compare their present level of spending at the DUPOF assisted SPO with their spending prior to the improvements. The majority (78%) thought this was about the same, although one fifth stated that they now spent more. General public customers (24%) showed a greater propensity to increase spending than the surveyed business customers (11%).

There were significant differences between the case studies, reflecting the nature and the extent of the changes that had been made to their products and services. With regard to the general public spending, Dewsbury exhibited the highest proportion increasing their spending (52%), followed by North Tyneside B and Bolton B (both 43%), whilst Doncaster, Grantham and North Tyneside A all exhibited less than 10%. In the cases of both North Tyneside B and Bolton B this was a result of considerably improved retail service provision, including new refrigeration units to serve chilled food products and in the case of Bolton B the introduction of fresh fruit and vegetables. With regard to Dewsbury on the other hand, the increased trade related mainly to the introduction of a hot food take-away service. In contrast, even though the DUPOF grant had funded a considerable retail development programme at the Grantham SPO, this led to only a small increase in customer spending partly because the SPO already had a large existing retail base and partly because the business was sited in a very competitive local food retail environment. Indeed, the SPM suggested that with Tesco Express taking over a nearby store, the DUPOF improvements had at least helped them to maintain their share of the market in the face of stiff competition.

Turning to the business customers, there was no change in spending levels at one third of the case study SPOs (Doncaster, Pontefract, Birkenhead and North Tyneside A). The highest proportion of business customers spending more was found at Grantham and Bolton A (both 20%), followed by Bolton B (18%). The Bolton A SPO benefited from being located near to an industrial estate and had attracted increased spending from business customers as a result of the introduction of photocopying, fax and passport services. At Grantham, increased business customer sales were largely related to the new provision of a vehicle tax service.

4.4.5 Impact of DUPOF improvements on customer perceptions of safety

When asked to consider their feelings about their safety when visiting the DUPOF assisted SPO, almost a third of all users (31%) said that they now felt safer compared with before the alterations (Table 4.7). There was little difference between general public (31%) and business customers (29%) in this respect. Amongst the general public customers, it was found that those from ethnic minorities (53%, significant at 0.01 level) and housewives (52%, significant at 0.05 level) responded particularly positively to security improvements. The highest proportion of general public customers feeling safer after the DUPOF alterations was recorded at North Tyneside B (57%). In the majority of case studies (8) a significant minority (20–48%) felt safer, but in Doncaster (where the security work related to the storage area at the rear of the SPO) and North Tyneside A there was no perceived increase in customer safety.

Business customer views of safety since the DUPOF improvements were more polarised, with one quarter of case studies improving for at least half of the surveyed customers (North Tyneside B 55%, Doncaster 50% and Bolton B 55%) whereas there was no recognition of improvement by any customers at other case studies (Pontefract, North Tyneside A and Manchester).

Table 4.7: Views on safety after alterations

| Assessment | General public | | Businesses | |
|---------------|----------------|------------|------------|------------|
| | N | % | N | % |
| More safe | 78 | 31 | 35 | 29 |
| Less safe | 4 | 2 | 1 | 1 |
| No difference | 166 | 67 | 85 | 70 |
| Total | 248 | 100 | 121 | 100 |

As might be expected, there was a strong association between the level of security expenditure of the DUPOF project and customer perceptions (significant at >0.001 level), with 42% of all customers at those SPOs where more than £6,000 was spent on improving security feeling more secure, compared to just 20% of customers at SPOs where less than £3,000 was spent on security measures.

North Tyneside B stands out as the SPO where most DUPOF funding was spent on security measures (£10,000) and where more than half of both business (55%) and general customer users (57%) felt safer. It is interesting to note that at Manchester, where relatively little DUPOF funding was specifically for security measures, more than half of the surveyed general public customers (55%) perceived that the SPO was a safer environment. This is undoubtedly due to the relocation of the SPO to a well lit, modern, spacious convenience store location. Indeed, £12,500 of grant funding was spent on improved lighting and other elements, and wider aisles which are likely to have had an important psychological role in helping customers to feel safer.

All businesses surveyed (both users and non-users) in the vicinity of each of the case study SPOs were asked whether they had noticed any change in the level of crime and vandalism experienced by their business since the DUPOF alterations. Most (89%) had experienced no change, whilst 7% had noticed a reduction in crime and vandalism. Again, these perceptions appear to be significantly correlated (> 0.01 level) with increased DUPOF expenditure on security measures. Nineteen per cent of surveyed businesses in the three case study areas where more than £6,000 was spent on security mentioned reduced crime rates compared to only 6% in the five areas where £3-6,000 was spent and no respondents in the four areas where less than £3,000 was spent. Once again, North Tyneside B – where £10,000 was spent on state of the art CCTV equipment, alarm systems and security walls and shutters – exhibited the highest proportion of businesses (36%) reporting that they now experienced less crime and vandalism.

4.4.6 Improvements suggested by customers to encourage more PO use

General public respondents (both users and non-users of DUPOF assisted SPOs) were asked if there were any further improvements that could be made to the assisted SPO that would encourage them to make more use of it. Only one fifth suggested improvements, 21% of non-users and 19% of users. The main types of improvement suggested were:

- A wider range of services, particularly PO services typically available at main town centre POs (e.g. vehicle tax certification, foreign currency and passport services).

- A wider range of retail goods, particularly convenience products such as milk, bread, groceries etc.
- Longer opening hours, notably with regard to PO counter services (e.g. early morning, evening, lunch time and Sunday opening) and a speedier counter service (i.e. better staffing levels at peak periods).

Business customers were also asked whether they would use the DUPOF assisted PO more if it were improved in some way; just over a quarter (28%) said that they would. The main improvements suggested were:

- Increased PO service provision, relating to issues such as vehicle tax provision, improved business banking, reduced costs and better availability of money changing facilities.
- Longer PO counter opening hours, including at lunchtimes, weekends and out of standard office hours, and also improvements to counter service speed (particularly at lunchtimes). The possibility of a priority business service counter was raised (notably with regard to business banking).

4.5 Impact on the local economy and community

4.5.1 Increased spending at other local shops

One indicator of the local economic benefits of the improvements at DUPOF assisted SPOs is whether or not their general public customers considered that they now spend more or less at other shops in the locality (Table 4.8). The survey evidence indicates that over a quarter (29%) of the SPO customers considered that they now spent more, against just 1.5% who said they now spent less.

Table 4.8 Use of other shops in the locality by general public users

| Frequency | General public | |
|--------------|----------------|------------|
| | N | % |
| More use | 72 | 29 |
| Less use | 5 | 2 |
| No change | 170 | 69 |
| Total | 248 | 100 |

Again, there were some marked differences between the case study locations in this respect. At North Tyneside B and Birkenhead, where these SPOs had been relocated to new shopping parades within a short distance (a few hundred metres) of their previous sites, 43% and 65% respectively of their customers were now spending more at other local shops, this being related to the closer proximity of other shops than at the previous location. A similar situation had occurred in the case of Manchester, where the 55% of users saying that they now spent more at other shops can be attributed to the relocation of the SPO, although in this case the relocation was about a mile from the original site and the SPO now serves a slightly different catchment area. The impact of the DUPOF improvements on spending at other shops was

smallest in North Tyneside A (5% of users), but in this case the introduction of a tanning studio had made little impact on the SPO customers interviewed and it is unclear from these findings whether the new customers of the studio are spending more in local shops. Grantham (10%) and Birmingham (14%) also exhibited low rates of additional use of other local shops.

4.5.2 Community impacts

As a way of gauging whether the DUPOF assisted alterations were contributing to community regeneration, general public users were asked whether they were now more likely to meet people they knew in the SPO than before the DUPOF improvements (Table 4.9). More than half (56%) considered this to be the case, with 44% feeling strongly about it. These benefits appeared to be felt especially by housewives (72%), people who lived within a short walking distance of the SPO (67%), people aged 65 or over (56%), and retired people (59%). The community impact was greatest in the cases of the Pontefract, Bolton B, North Tyneside B, and Liverpool SPOs, where at least 60% of customers felt strongly about being able to meet more people since the DUPOF alterations. The least impact appeared to be at North Tyneside A (9%) and Dewsbury (13%).

Table 4.9: General public responses to the statement “Compared to before the alterations were made, I am more likely to meet people I know in the PO now”

| Response | N | % |
|----------------------------|------------|------------|
| Strongly agree | 110 | 45 |
| Tend to agree | 29 | 12 |
| Neither agree nor disagree | 76 | 31 |
| Disagree | 30 | 12 |
| Total | 245 | 100 |

Another indication of the wider beneficial effects of the DUPOF assisted alterations is the proportion of general public users who thought that the SPO now had a more important role to play in the community (Table 4.10). Nearly three-quarters (70%) felt that this was the case, with three-fifths (59%) strongly agreeing that the improved SPO now played a more important role in the community. Interestingly, this was especially true of customers who were from ethnic minority groups (82%) and those aged 65 and over (80%) (both significant at the 0.01 level). Again, there were marked differences between the SPOs, with the largest proportion of users thinking that the role of the SPO in the community had been strengthened by the DUPOF improvements being found at Pontefract (95%), Birkenhead (90%), Liverpool (85%), Bolton B (76%), Grantham (75%) and North Tyneside B (71%), whereas the lowest levels of recognition of any increased community role were at North Tyneside A (10%) and Dewsbury (39%). These differences can be largely attributed to the relevance of the alterations to the needs of PO users as the most positive response tended to be in more run-down areas and/or areas that were poorly provided for in terms of local shops and amenities.

Table 4.10: General public responses to the following statement “Compared to before the alterations were made, the PO now has a more important role in my local community”

| Response | N | % |
|----------------------------|------------|------------|
| Strongly agree | 146 | 59 |
| Tend to agree | 28 | 11 |
| Neither agree nor disagree | 63 | 25 |
| Disagree | 11 | 4 |
| Total | 248 | 100 |

4.5.3 Business impacts

Customer levels and spending

Some measure of the impact of the DUPOF assisted alterations on other businesses in the locality is provided by answers to questions about numbers of customers and their spending. The vast majority of surveyed businesses (86%) said that it had not made any difference, although 7% reported noticing more customers and 5% fewer customers. Similarly, 7% thought that their customers were now spending more in their shop since the improvements at the SPO, whilst 5% felt they were spending less. Overall, therefore, the DUPOF improvements appeared to have had little effect upon customer levels and spending at other local businesses as far as the surveyed businesses themselves were concerned, although as noted above, this tends to contradict the evidence from SPO customers themselves, 29% of whom said that they now spent more in other local shops.

The impact on the number of customers using other shops has been most beneficial at Bolton B, Liverpool (where 17% of businesses stated that they had more customers) and Birkenhead (13% increase), whilst Birmingham (-19%), Dewsbury (-15%) and Liverpool (-11%) exhibited the highest proportions of businesses reporting fewer customers. Similarly, the proportion of local businesses identifying increased customer spending since the DUPOF alterations was highest in Bolton B (27%), Birkenhead and Bolton A (both 13%), whereas Liverpool (-11%) and Birmingham (-19%) experienced the highest proportions of businesses experiencing reduced customer spend. Again, these latter findings appear to indicate the negative impacts of direct competition in these case study locations. In the case of Liverpool, for example, the DUPOF grant had facilitated diversification into newsagent activities, placing the SPO in direct competition with at least one other local business.

Competition

The businesses that were interviewed within the vicinity of the case study SPOs (both users and non-users) were asked about whether they were in competition with the assisted SPO. Only 14% considered that they were in direct competition and these were mainly other retail facilities (e.g. newsagents, grocers and off-licences). Of these, 41% claimed that competition had increased during the last year (this represents just 6% of the overall surveyed business sample), whilst nearly half (48%) indicated that there had been no change. Some of those retail business owners that had experienced an increase in competition and associated loss of

business were particularly vociferous in their complaints about the SPO retail diversifications (and also longer trading hours in some cases), which they felt represented unfair competition. In one such case, the owner-manager had complained about the SPO trading practices to the local council.

The highest proportions of businesses in direct competition with the SPO were to be found at Bolton B, Doncaster, North Tyneside B (all 27%) and Birmingham (25%). However, since the DUPOF grant work was undertaken, there had only been a marked increase in the level of competition at Birmingham (25%) and Doncaster (14%).

Complementarity

Nearly a third (29%) of the surveyed businesses considered that the goods and services provided by the DUPOF assisted SPO complemented their own trading activities. This mainly related to high street/shopping centre services (e.g. retailers and other services, including bookmakers) which had benefited from the attraction of PO users to the area and PO banking services (notably in areas where there were no other banks or cash machines).

The highest levels of complementarity between case study SPOs and other businesses were reported at Doncaster (53%), Birkenhead and North Tyneside B (both 47%), notably with respect to the provision of banking and money changing facilities for local retailers and services. Also, in the case of Birkenhead and North Tyneside B the relocations to new shopping parades were recognised by other local retailers and services as vital in attracting new customers, particularly those seeking access to banking services, given that banks/ATMs/cash providers were either non-existent or in decline in these locations.

Trading Linkages

Trading linkages between the DUPOF assisted SPOs and other local businesses were minimal and of little consequence. Only 2% of the businesses interviewed supplied the assisted SPOs with any goods and/or services (ranging from £100 to £500 per annum in trade), all having done so for more than three years. In these few cases this trade was typically assessed to be 'of some importance' or 'fairly important' to the business concerned.

4.6 Anticipated effect if DUPOF assisted SPOs were to close

Finally, both general public and business users of the DUPOF assisted SPOs were asked how much they would be inconvenienced in accessing PO services if their local SPO closed (Table 4.11). Nearly all of them (93%) reported that they would be inconvenienced to some degree, with 71% stating that it would be 'very inconvenient'. General public customers (76%) were more likely to be very inconvenienced by closure than business customers (63%). The reduction in the level of inconvenience for business customers was related in part to their greater mobility and that, in some cases, the business owner/managers would be able to use with relative ease an alternative PO nearer to home.

Table 4.11: Views on level of inconvenience if SPO were to close

| Assessment | General public | | Businesses | |
|--------------|----------------|------------|------------|------------|
| | N | % | N | % |
| Very | 188 | 76 | 77 | 63 |
| Fairly | 23 | 9 | 24 | 20 |
| Little | 20 | 8 | 13 | 11 |
| Not at all | 16 | 6 | 8 | 7 |
| Total | 247 | 100 | 122 | 100 |

Among the general public customers, those exhibiting the greatest levels of inconvenience if a closure took place were: 92% of people aged 65 or over (significant at 0.01 level), retired people (91%), unemployed people (90%) and those living within the ward (87%), (significant at 0.05 level, when compared to other customers). Women customers (81%) were also significantly (at 0.05 level) more likely to anticipate that they would be very inconvenienced by a closure, compared to their male counterparts (just 68%).

Respondents were asked how they would access PO services if the local SPO were to close. Most (91%) of both general public and business customers said that they would use the next nearest PO to home, and just 2% said they would use a PO close to where they did their shopping. Very few (5%) said that they would use a bank or another outlet (e.g. a local supermarket) instead (Table 4.12). There was little difference between general public and business customers, except that business customers (e.g. small retailers and other/personal services providers) were more likely to live outside of the ward and to use a PO nearer to their own home, whilst general public customers were more likely to combine PO services with their town centre shopping visits.

Table 4.12: Alternative access to PO services if the local SPO was to close

| Access | General public | | Businesses | |
|-------------------------------------|----------------|------------|------------|------------|
| | N | % | N | % |
| Through the next closest PO | 224 | 90 | 113 | 93 |
| Through a PO where I do my shopping | 8 | 3 | 0 | 0 |
| Through a bank | 8 | 3 | 32 | 2 |
| Through another outlet | 6 | 2 | 0 | 0 |
| Through a PO nearer to work | 1 | 1 | 0 | 0 |
| Other | 1 | 1 | 6 | 5 |
| Total | 248 | 100 | 118 | 100 |

4.7 Profile of the Closure Case Studies

4.7.1 Surveys undertaken

The four PO closure case studies were in Stockton-on-Tees, Manchester, Leeds and Coventry. The case studies were selected by the Stakeholder and Regulatory Affairs Department of the Post Office Ltd, and the fieldwork carried out between November 2003 and September 2004. The interviews were conducted with both members of the general public and local businesses that had used the PO prior to its closure. The following analysis is based upon 118 interviews in total, 84 with general public users and 34 with business users.

4.7.2 Profile of the closure case studies

Brief background details on each of the closures are summarized below.

Stockton

This branch had been closed 18 months previously under the Urban Network Reinvention Programme and was located just beyond the centre of Stockton, near to the main railway station. The PO itself was situated on a corner on a main road, opposite a corner shop (groceries and newsagent) and a bus stop. There were very few businesses within a half-mile radius of the closure; in this respect all of the businesses that were visible and accessible were approached and most were interviewed. The streets surrounding the ex-PO were mainly terraced houses, but were generally in good condition. The PO had also offered cards/stationary and some groceries, although the groceries were apparently discontinued some time before the closure.

Leeds

Closed for at least one year and located on a residential road in a suburb to the east of Leeds city centre. The PO was within a few hundred yards of a main road and shopping centre containing a number of retail and service businesses (but no banking facility, as pointed out by some survey respondents). The housing in the area was a mixture of private residential housing and more deprived estates. The PO had also served as a newsagent.

Manchester

The PO, which had employed 3-4 family members, was closed some two years previously and located on a very busy main road heading north east from Manchester city centre. It was situated directly opposite a main PO sorting office, which offered a basic postal service used by some survey respondents. Also nearby were a number of small businesses (retail/services) and a large Chinese community (Chinatown retail/business complex). There was some sheltered council housing nearby (mainly for OAPs and disabled people), also housing estates and tower blocks, some of which were in extremely poor condition and/or derelict. Although the next nearest PO was within half a mile of the closed branch, for many respondents this was still further to go and involved crossing major roads.

Coventry

Closed in August 2003, the PO was located to the north east of Coventry city centre. The premises, which at the time of the fieldwork housed a Drug and Alcohol Support Unit, were located in a short parade. There were very few other small businesses in the locality, these being a mini-market, betting shop and fish and chip shop. There was an industrial estate nearby – but none of the (mainly larger) businesses here had made use of the PO. There were also three primary schools within half a mile of the PO. The appearance was of a very deprived neighbourhood, with many of the premises being in poor condition and some boarded up. At the same time, there has been some ongoing redevelopment and building of new homes. The local population was mainly ‘White British’, but with some ethnic minority residents. Some special housing for elderly/disabled was in close proximity to the closed PO.

4.7.3 Profile of former users interviewed

Of the general public former users of the closed post offices that were interviewed, the largest socio-economic group was retirees (42%), followed by those of working age who were unemployed (20%) and employed (18%). People aged over 65 represent the largest age group interviewed (40%), with only 7% aged under 25. The majority of respondents were female (58%). With regards to ethnicity, the vast majority (89%) were ‘white’, with 8% of African-Caribbean origin and 3% Chinese.

Of the businesses surveyed, nearly half (47%) were wholesalers or retailers, with nearly one fifth (18%) in ‘other service’ activities (i.e. typical high street services such as bookmakers, hairdressers and beauty salons). Nearly one eighth (12%) of surveyed businesses were in distribution/maintenance, whilst a further 9% in manufacturing or construction and 9% in business and financial services. Most were micro-businesses with less than 10 employees (91%), with an average employment level of 6 staff, (median 4), ranging in size from 9% being single person businesses to one business employing 57 people. All surveyed businesses were required to have been trading in the local neighbourhood for at least two years; in fact most (78%) had been trading locally for at least five years.

4.8 How the closed POs were used

The main PO services used by ex-customers (both general public and business) were: posting letters parcels (96%), buying stamps (95%), paying bills (50%), financial services (17%) (Figure 4.5). There was some variation between the POs, with paying bills being particularly prevalent amongst general public customers at the Coventry PO (77%) and the use of financial services (i.e. banking) amongst business customers at the Stockton PO (40%). With regard to collection of benefits by general public customers, 42% had used the closed PO to collect pensions; 20% child benefits; 14% disability benefits; 23% other benefits.

Figure 4.6 shows the extent of use of various retail services by both the general public and business customers of the closed POs. The main purchases by the general public were newspapers/magazines (38%), cards/stationery (30%), and sweets and soft drinks (14%). This is a more restricted range of goods than purchased by the general public users of the DUPOF assisted POs, which in itself, is an indication of the more diverse range of goods and services provided by the latter POs. The retail services used by the business customers of the closed POs are restricted to the purchase of cards/stationary (21%), which is very similar to the pattern of purchases by business customers in the case of the DUPOF assisted POs.

Figure 4.5: Previous PO services most frequently used by general public and business customers in closed PO

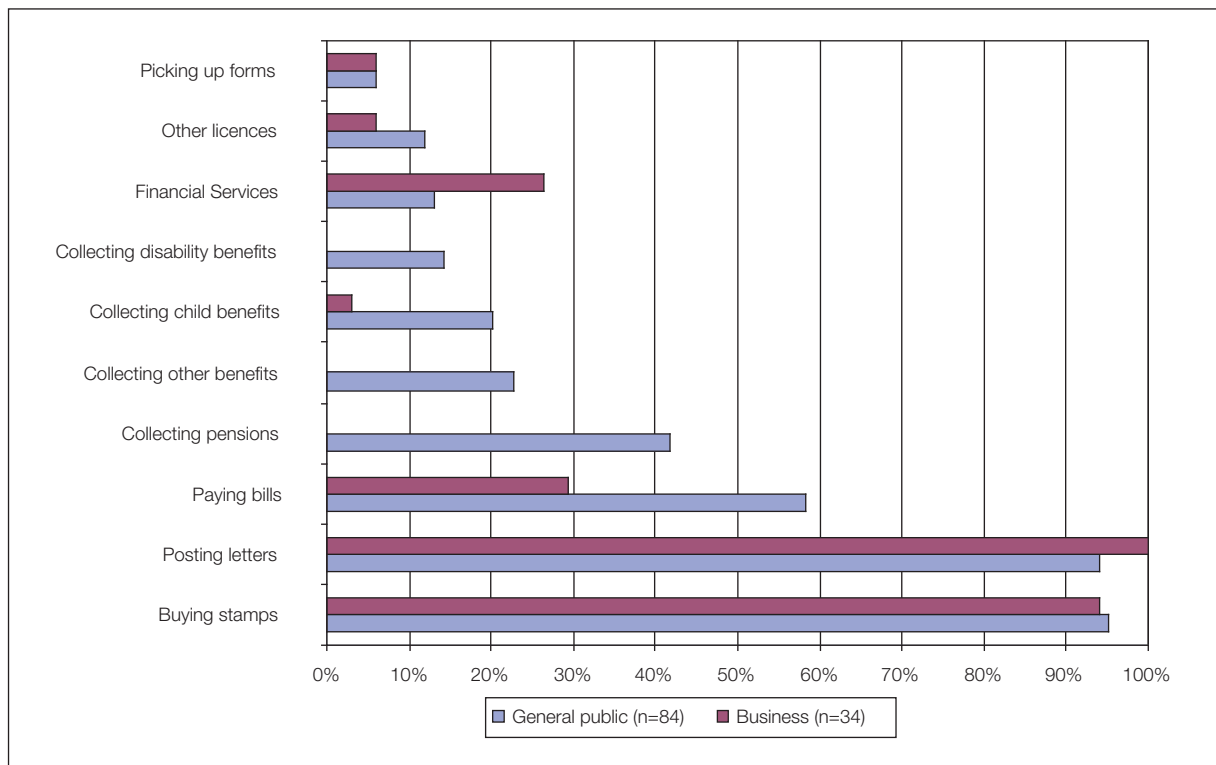
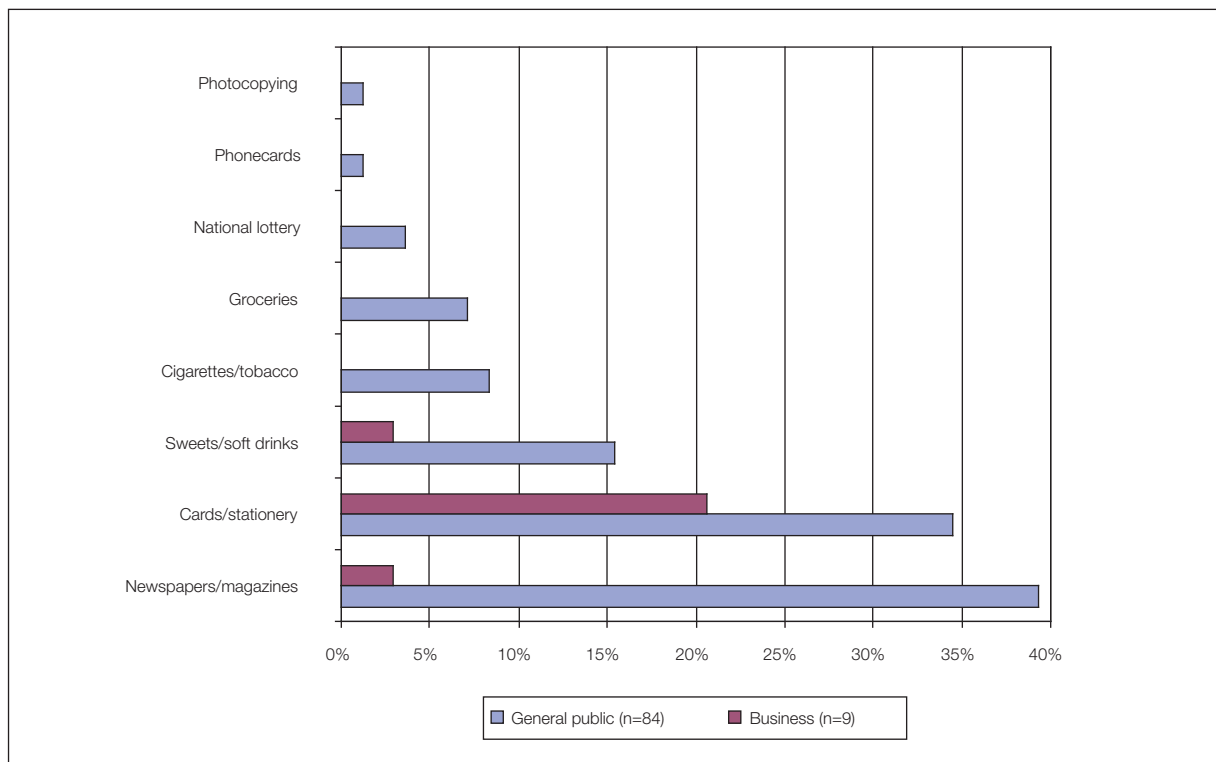


Figure 4.6: Previous Non-PO services most frequently used by general public and business customers in closed PO



4.8.1 Frequency of use

Figure 4.7 gives the frequency of use made of the closed POs and shows that 65% of the general public had been visiting the PO several times per week, as had 53% of the business users. On the other hand, almost a quarter of business customers used the PO no more than once per month, compared with just 7% of the general public. This pattern of use is broadly similar to that found amongst the DUPOF assisted case studies.

Figure 4.7: Frequency of use of closed POs

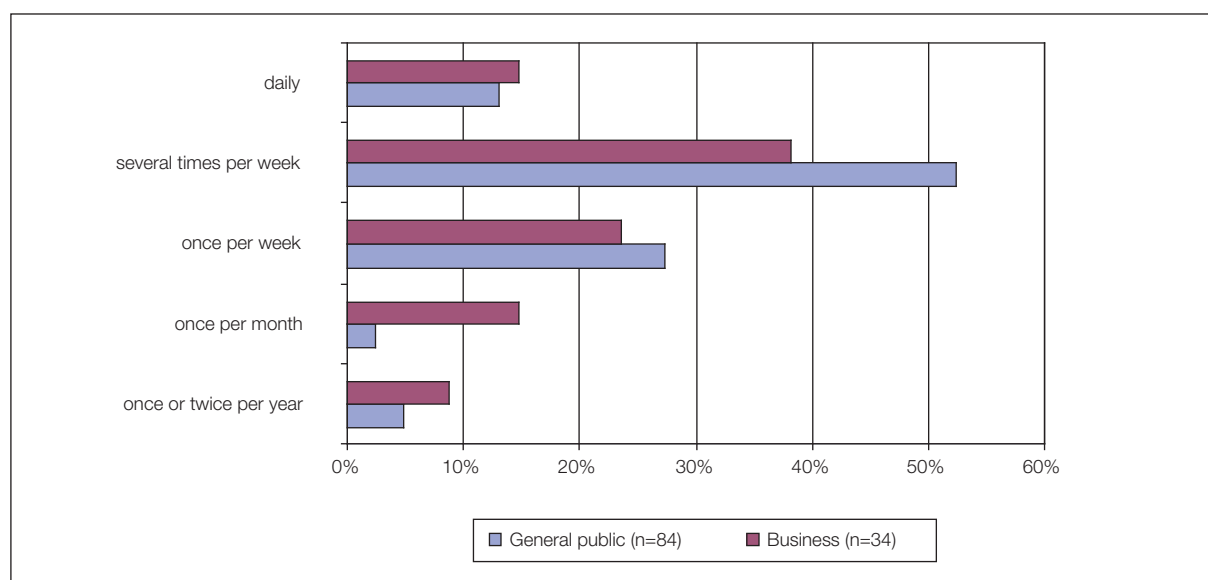
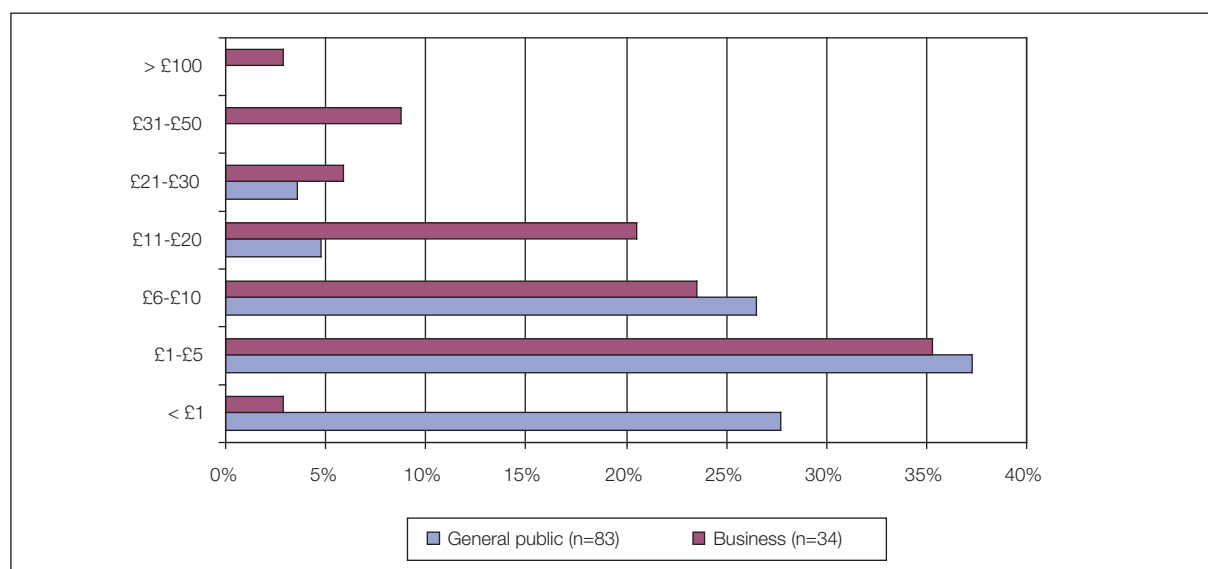


Figure 4.8 shows the level of spending in the closed PO. Consistent with the narrower range of non-PO services provided by the closed POs is the finding that their general public customers were spending less than their counterparts in the DUPOF assisted POs (see Table 4.8): 65% compared with 43% spent £5 or less per week and none spent more than £20 compared with 17% of the DUPOF assisted PO customers. The difference is less pronounced in the case of the business customers, since 39% in each case spent £5 or less at one extreme, although 18% of business customers in the closed POs spent more than £20 compared with 28% in the DUPOF cases.

Figure 4.8: Spending in the closed POs per week



4.9 Alternatives used since the closure

Both general public and business customers were asked how PO services have been accessed since the closure of their local branch. Four out of five of them (79%) were using the next nearest PO whereas 10% were using a PO where they did their main shopping or near to their place of work. It is notable that whilst similar proportions of business and general public customers were using the next nearest PO, 12% of business customers were using the PO nearest to their home rather than to their work.

Overall, 11% used another type of outlet, such as a bank (e.g. for financial services and bill paying) or supermarket (e.g. for purchasing stamps, envelopes and stationery) for services that they previously obtained from their local PO. This varied between the closure case studies, being highest in the case of Manchester (16%) where several former customers were now using a local supermarket and Stockton (14%) where several were using a bank. Rather surprisingly, only three businesses (out of the 34 that were surveyed) had started using alternative outlets which included courier services and a local supermarket, the rest preferring to continue to use a PO elsewhere.

These findings are similar to those reported above in section 4.6 in relation to the DUPOF case studies, as it was found that over 90% of customers said that they would use another PO if their local branch was to close. The closure case studies show that when faced by the closure of their local PO, nine out of every ten customers divert to another PO rather than use another kind of outlet.

In terms of how far customers travel to another PO once their local branch had closed, the survey shows that a third find a PO within half a mile or nearer and another third (36%) within $\frac{1}{2}$ – 1 mile. At the other extreme, 8% travel 3 miles or more, with 30% of the customers of one closed PO (Leeds) travelling more than 3 miles. Interestingly, business customers were more likely to use a PO within $\frac{1}{2}$ mile of the closed PO (41%) than their general public counterparts (30%), perhaps indicating that the general public are more likely to combine visits to POs with visits to other shops.

The interviewed former customers were asked how frequently they used their present PO (or shop/bank alternative) compared with their use of the branch that had closed. The results (Table 4.13) show quite clearly that the closure of the local PO has resulted in both general public and business customers making fewer visits to an alternative PO or other facility. Two thirds of respondents (69%) said that they used the new PO/facility less frequently: 72% of general public customers and 62% of business customers. Only 4% of respondents had increased their frequency of use: 9% of businesses, compared with just 2% of the general public. Although the decline in the frequency of use compared to the closed PO was widespread across all of the case study closures, it was particularly evident in New Town (77%) and notably amongst general public customers (85% making less use of alternative services).

Table 4.13: Amount of use of new PO/Shop, compared to closed POs

| | General public | | Businesses | |
|--------------------|----------------|------------|------------|------------|
| | N | % | N | % |
| More | 2 | 2 | 3 | 9 |
| Same | 21 | 25 | 10 | 29 |
| Less | 60 | 72 | 21 | 62 |
| Group Total | 83 | 100 | 34 | 100 |

Interviewees were also asked to compare the range of services available at the alternative PO/facility with that at the closed PO. The results (Table 4.14) show that on balance, the new facility provided a better range of services, with about a third of both general public and business customers considering the range to be better, compared to the 18% of general public and 9% of business customers that considered the range to be worse. As might be expected, however, this does vary between the four case studies, depending upon the alternative services that are available in each case study location. An improved range of services was most evident at Stockton (with 64% of all customers saying there was a better range of services at the new PO/facility) whereas the least improvement was experienced at Leeds (with 11% of all customers identifying an improvement). The greatest perceived decline in the range of services was reported by a third of all customers at the Coventry case study.

Table 4.14: Range of services at alternative PO/shop used compared to at closed PO

| | General public | | Businesses | |
|--------------------|----------------|------------|------------|------------|
| | N | % | N | % |
| Better | 28 | 36 | 11 | 34 |
| Same | 35 | 45 | 18 | 56 |
| Worse | 14 | 18 | 3 | 9 |
| Group Total | 77 | 100 | 32 | 100 |

Turning to the level of expenditure at the alternative PO/facility compared with the closed PO, there appears to have been little change overall (Table 4.15). Whereas a third of general public customers said that they now spent more, they are offset by the third who said that they now spent less. Similarly, equal proportions of business customers now spend more as spend less (24%). Differences between the four case studies in this respect are in line with the differences in the range of services available at the alternative facilities noted above. Over half of all respondents at Leeds (57%) and Coventry (52%) spent more at the closed PO, whilst conversely, nearly half of all respondents at Stockton (47%) and Manchester (48%) were spending more at the new facility.

Table 4.15: Amount of spending at alternative PO/shop compared to at closed PO

| | General public | | Businesses | |
|--------------------|----------------|------------|------------|------------|
| | N | % | N | % |
| More | 27 | 33 | 8 | 24 |
| Same | 29 | 35 | 18 | 53 |
| Less | 26 | 32 | 8 | 24 |
| Group Total | 82 | 100 | 34 | 100 |

Interviewees were also asked to compare how they felt about safety at the PO/facility that they were currently using compared to the closed PO (Table 4.16).

Table 4.16: Safety at new PO/Shop, compared to closed POs

| | General public | | Businesses | |
|--------------------|----------------|------------|------------|------------|
| | N | % | N | % |
| More safe | 20 | 24 | 5 | 15 |
| The same | 44 | 54 | 24 | 73 |
| Less safe | 18 | 22 | 4 | 12 |
| Group Total | 82 | 100 | 33 | 100 |

Once again, there appears to be little noticeable change overall. The majority (59%) felt the same, but the one fifth (22%) who felt 'safer' is offset by a similar proportion (19%) who felt less safe. Again, this obviously reflects the quality of the alternative facilities that are available. Around one third of general public customers felt safer at the new PO/shop in Stockton (30%) and Manchester (33%), whilst a quarter of general public respondents at Leeds felt less safe. It is interesting to compare these findings related to improved safety to those that we have already discussed for the DUPOF assisted case studies (section 4.4.5). Almost a third of all customers using the DUPOF POs now felt safer as a result of the improvements, which is very similar to the proportions experiencing an improvement in the Stockton and Manchester closure case studies.

4.10 Impact of the closures

Interviewees were asked about the degree to which they had been inconvenienced by the PO closure (Table 4.17). Three quarters said that they had found the closure 'very' or 'fairly' inconvenient (77% of general public customers and 70% of business customers). It is noticeable that it tended to be the elderly/retired customers that had been most inconvenienced, with almost half of them selecting the 'very inconvenient' option. Businesses were less likely to be inconvenienced by the closure than general public customers, with 21% of them selecting the 'not at all inconvenient' option compared with 12% of the general public, possibly reflecting the narrower range of services that businesses use POs for. Clearly, the level of inconvenience experienced is going to depend upon how accessible, as well as how suitable, the alternative facilities are. Thus a rather lower degree of inconvenience appears to have been experienced by the former customers of the Manchester closed PO than was the case with the other three closure case studies (with 34% of general public customers

being either not or a little inconvenienced compared with 18% in the other three closure cases). A particularly high level of inconvenience was experienced by business customers at the Coventry case study, where 75% stated that the closure was ‘very inconvenient’ for them.

Table 4.17: Degree of inconvenience experienced as a result of PO closures

| Inconvenience | General public | | Businesses | |
|-------------------------|----------------|------------|------------|------------|
| | N | % | N | % |
| Very inconvenient | 39 | 47 | 14 | 41 |
| Fairly inconvenient | 25 | 30 | 10 | 29 |
| A little inconvenient | 9 | 11 | 3 | 9 |
| Not at all inconvenient | 10 | 12 | 7 | 21 |
| Total | 83 | 100 | 34 | 100 |

The businesses in the locality of the closed POs were asked whether they had suffered any change in the level of business following the closure. There is evidence here to indicate that the closure of the PO has drawn some custom away from other local businesses. Just over a quarter (27%) reported experiencing a decrease in business sales turnover as a result of the PO closure, with 18% experiencing a moderate decrease, 9% a substantial decrease and 73% no change. The businesses affected were mainly retail and some ‘other services’ (e.g. betting shops, hairdressers and beauty salons). In addition, 12% of surveyed businesses said that they had previously supplied the PO with services, and they included wholesale, distribution/transport, financial service and ‘other service’ businesses. The case studies do vary in terms of the degree to which local businesses have been affected by the PO closure. In the case of the Coventry closure, three out of four businesses claim to have been adversely affected.

Just over half (55%) of interviewed businesses felt that the closure had had a negative impact on the prospects for small businesses in the area, resulting in a reduction in passing trade, a reduction in the numbers of local businesses and the loss of a community shopping/service focal point.

As well as its local economic impact, the PO closure had had a negative impact on the appearance of the neighbourhood, according to 49% of general public respondents and 35% of businesses respondents. There was a particularly strong feeling that this had occurred at the Stockton case study (95% of general public respondents and 70% of business respondents), probably reflecting the fact that the former PO building had remained unoccupied for a while. In the other closure case studies, the main reasons for the deteriorating appearance of the neighbourhood were dereliction and boarding at Leeds and Stockton and the establishment of a drug rehabilitation centre at Coventry.

A further indication of the negative impact that the PO closure had on the local community is given by responses to a question about whether there were any people that interviewees no longer see since the PO closed down. One third of general public respondents stated that there were people they no longer saw since the PO closure took place and 54% agreed with the statement that they were ‘less likely to meet people they knew’ in the PO/shop that they were currently using (and as many as 75% in the case of the Stockton case study). Moreover, three-fifths of general public respondents agreed with the statement “compared to the closed PO, the PO shop I currently use has a less important role in my local community”, whilst only 11% disagreed.

Over three quarters (78%) of all respondents felt that the PO closure had had an ‘adverse impact on the sense of community in the neighbourhood’. The reasons given for this related particularly to its impact on the elderly and the loss of a community focal point for people to meet each other. Other factors mentioned included increased vandalism, dereliction and crime, loss of convenience and amenity, and negative impacts on people with disabilities. Many of the elderly and less mobile respondents strongly expressed the difficulties they experienced in getting to the next nearest PO and the loss of what had been an important local meeting place to many of them. Some referred to petitions raised by local people in opposition to the closure. Examples of comments made are:

“It was very upsetting; they should never have closed it. I used to look forward to seeing people in the queue. It was the only post office with a queue outside waiting and open. But it went down hill when the original owners left”.

“People used to meet there and chat, go for a cup of tea next door.”

“People were very upset by the closure; they all go to different places now.”

“I’m still very angry about it. The politicians don’t think of the effects – there are a lot of old and disabled people nearby. Having a post office in the community is very important – closing it is like closing the local pub.”

4.11 Conclusion

The overall findings from the 12 DUPOF assisted case study SPOs confirm that the grants have been having a positive impact on the performance of the businesses, with all of them experiencing an increase in retail sales turnover since making the improvements and three quarters of them an increase in profitability. The survey of customers shows that one fifth of them now spend more at the SPOs since the DUPOF assisted improvements, with general public customers showing the greatest propensity to increase their spending. There is also evidence that the DUPOF improvements have been important in enabling branches to cope with increased customer numbers as a result of branch closures under the Urban Network Reinvention Programme. Almost a third of interviewed customers said that they now felt safer using the SPO since the improvements, the feelings of improved security being greatest in those cases with the highest levels of expenditure on security. Not surprisingly, the highest levels of customer satisfaction overall were found in those SPOs where the premises had been in a particularly poor condition prior to the changes.

In terms of the wider impacts, the findings of the customer and business surveys largely confirm the views obtained from the sub-postmasters themselves which were reported in Chapter 3. Thus, just under a third (29%) of customers considered that they now spent more at other shops in the locality and a similar proportion of businesses considered that the goods and services provided by the DUPOF assisted SPO complemented their own trading activities and that they had benefited through being able to attract PO users passing by. Very few businesses appear to have been adversely affected by increased competition as a result of the DUPOF improvements and complementarities with other local businesses appear to be greater than any displacement effects. This contrasts with the closure case studies where one fifth of businesses considered that they had suffered some decrease in sales turnover as a result of the closure of their local post office whilst nearly half of them felt that this had had a negative impact on the prospects for small businesses in general in the locality.

The case studies also confirm the valued role that post offices play within their local communities. In the DUPOF assisted cases, more than half of the general public users felt that they were now more likely to meet people they knew in the SPO compared with before the alterations. This contrasts sharply with the situation in the closure cases where the majority of ex-users said that the closure had had a negative impact on the sense of community and that they no longer saw people they knew when visiting the alternative post office.

However, these overall findings from the case studies should not mask a number of noticeable and interesting differences between them in terms of the various impacts that they were having. Such variations are broadly explained by reference to the nature of the improvements made and the local contexts within which SPOs have to compete for customers. The further analysis of the case studies undertaken in the next chapter highlights these differences.

Chapter 5: Further analysis of the impact of DUPOF on 12 case study offices

5.1 Introduction

The previous analysis of the DUPOF case studies suggests that the success or otherwise of improvement and diversification efforts can be dependant on a variety of contextual factors. A framework has therefore been produced with a view to aggregating the various findings in order to develop a more holistic analysis of the impact of the DUPOF in specific contexts, taking into account business performance, how the improvements have been received by customers and impacts on neighbouring businesses and the wider community.

There are six key components to the analysis:

- (i) *Key baseline data*: the level of grant funding; leverage of additional funds; and type of work undertaken (i.e. on security, retail sales expansion, improvements to PO counter, relocation, improved access) (Table 5.1).
- (ii) *Locational analysis*: proximity of the sub-post office to other shops, public services and industry; residential status in terms of nature of housing and customer types, degree of competition (prior to DUPOF) and demographic dynamics (e.g. whether the local population has changed with respect to customer types during the last two years) (Table 5.2).
- (iii) *Impact of DUPOF on customers*: examining change in patterns of use, levels of spending and perceptions of service quality, for both the general public and business customers (Table 5.3).
- (iv) *Impact of DUPOF on the community*: extent of improved service to the community and perceptions of safety within the vicinity of the sub-post office (Table 5.4).
- (v) *Impact of DUPOF on the performance of the business*: according to the surveyed sub-postmasters, in terms of overall sales turnover performance and customer levels, staffing levels and the proportion of trade that can be attributed to DUPOF (Table 5.5).⁴
- (vi) *Impact of improvements to the post office on other local businesses*: in terms of complementarity and/or increased competition, using responses from local businesses and general public customers (Table 5.6).

With regard to the locational analysis, each case study location can be assessed in terms of the ACORN classification devised by CACI Limited for the ODPM⁵. This classification utilises various Census characteristics to define 17 different 'groups' of locality types, with the higher number classifications relating to the poorer localities. These 'groups' are defined in terms of the type of housing (e.g. whether public or private, flats or houses, new or old properties etc.) and the types of resident (e.g. whether ethnic minority, unemployed, low income earners etc.). For the purpose of this study, ACORN groups 9-17 have been collapsed into a four fold classification and the 'average' neighbourhood impact score is adopted where case study localities contain a mix of ACORN groups.

⁴ The data used here are from the follow-up telephone interviews with sub-postmasters, in order to maximise the period of time elapsed since the completion of the improvements (i.e. at least 6 months) and also to better assess the impact of any local post office closures during the previous two years.

⁵ See: http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_house_022503-01.hcsp

Additional criteria used for this analysis relate to the proximity of the sub-post office to other local shops, businesses and services (e.g. within a small shopping parade, or town centre location, proximity to industrial estates, proximity to public services such as schools, social services and health centres). Proximity to larger concentrations of shops, services and industry is defined as a positive locational attribute, both in terms of the potential business customer base (although this is not always the case, e.g. larger businesses often use direct mail PO services from main sorting offices), and also to the extent that individual employees in other businesses contribute to the customer base of the sub-post office. Clearly the latter is more likely to apply where the services offered are complementary to those offered by other local businesses. In order to take account of this, the level of local competition (based on the judgements of the case study sub-postmasters) has also been included; the higher levels of competition are denoted by negative impact scores.

A customer typology has been derived for each case study from the baseline data provided in the DUPOF application forms and consultant appraisals, as well as the 12 sub-postmaster interview responses, relating to change in the composition and type of their customers. The interviews are also helpful in providing an indication of the nature of any relevant demographic changes occurring in the locality, such as new housing contributing to an influx of new customers and/or different types of customers during the previous two years.

5.2 Input and impact scores

Tables 5.1 – 5.5 at the end of this chapter summarise the findings of the analysis. In each table the selected input or impact indicator categories are allocated scores ranging from 0-3, with higher scores indicating higher levels of input or impact. For instance, for the DUPOF grant funding (Table 5.1) a score of 3 represents a high level of funding input. Where there are negative inputs or impacts, such as high levels of local competition (see Table 5.2), negative scores are given. Keys for the individual category score codes are detailed at the foot of the table column, with additional explanatory notes below each table where appropriate. The final column provides a total ‘impact’ score and rank order on the component for each case study.

The tables are presented in four groups:

- Tables 5.1 and 5.2 relate to DUPOF project inputs, the nature of improvement measures (e.g. funding levels and activities such as retail expansion) and locality indices;
- Table 5.3 (i) relates to changes in the use of the sub-post office since the DUPOF related improvements and Table 5.3 (ii) provides comparative information for the closure case studies;
- Table 5.4 (i) relates to users’ views of the community and safety impacts of the DUPOF related improvements and Table 5.4 (ii) provides comparative information for the closure case studies;
- Table 5.5 relates to the impact of the DUPOF on the business performance of the assisted sub-post office;
- Table 5.6 relates to the impacts of the DUPOF improvements on other local businesses;
- Table 5.7 provides an overall summary analysis of the previous table scores for each case study.

Nature of the DUPOF assisted improvements

This assesses the size of the DUPOF grant and the scale of the intended improvements in the sub-post office, notably in terms of: the degree of expansion and/or diversification of the non-PO business; the degree of expansion of the PO side of the business; and the extent of security and access improvements. The highest scores reflect the highest levels of change planned and undertaken with the help of the DUPOF grant; these also being the sub-post offices where we might reasonably expect to find the greatest impacts.

Table 5.1 shows that Manchester (new premises, associated with a relocation⁶ of half a mile), Pontefract, Birkenhead, Grantham and North Tyneside B, all score high on the DUPOF grant level and activity, whilst conversely, Doncaster, North Tyneside A and Bolton A present low scores which are indicative of low levels of funding and leverage and a limited number of improvements undertaken.

Locality indices

Table 5.2 summarises the characteristics of each case study location according to proximity to shops, services and industry, and housing and resident types (using the collapsed ACORN scale residential deprivation indicators).

Businesses in the locality have been assigned to three categories: (i) 'shops' which, as well as retailers, here includes personal service activities (e.g. hairdressers and salons); (ii) 'services' including public sector activities such as schools, hospitals, libraries, social services centres, and also financial and business services; (iii) 'industry' which refers to manufacturing and printers. The score ratings reflect the numbers and clustering of local businesses located within half a mile of the case study sub-post office, and presence of public services such as schools and hospitals. Whilst large public sector organizations may not be customers of the local sub-post office, their presence results in a positive score because of the number of customers they provide (e.g. employees, school children).

Pontefract, Doncaster, Grantham and Bolton A score highly in terms of these locality variables, exhibiting a positive mix of local residents and businesses, suggesting that these are the sub-post offices which are most likely to thrive following renovation and diversification. Conversely, Liverpool, Dewsbury, Bolton B and Birmingham are in particularly poor areas, typically with relatively strong competition (less so in the case of Bolton B) and low levels of population change dynamics (although improving from a low base in Birmingham). These negative characteristics suggest that sub-post offices in these locations will show a reduced propensity for improved performance following the DUPOF changes.

⁶ It is worth noting that 'relocation' was considered as an input indicator. However, only three case studies had relocated and in two of these the relocation had been within a few hundred metres of the vacated premises. Furthermore, when the resulting increase in retail space provided by the new sub-post office location was taken into account, it was decided that 'expanded retail' activity, which is a significant overlapping factor with increased retail space, provides a better indicator. This leaves the anomalous position of Manchester, where the relocation was over a distance of half a mile. In this case the distance of the relocation is a critical factor and one which needs to be factored into interpretations of the findings from this impact analysis.

Impact on customers

Table 5.3 shows the impacts of the DUPOF related services on customers, as reflected by surveyed customer responses (both business and general public). Half of the case studies score highly in terms of frequency of use of the sub-post office, increased customer spending and perceived improvements in the quality and range of services. The Liverpool case study is shown to score highest on these criteria (14 out of a maximum of 18), followed by Grantham (13), Bolton B (12), Birkenhead (11), North Tyneside B (11) and Dewsbury (11). The lowest scores are recorded at North Tyneside A (4), where the introduction of a tanning service had made little difference to those customers interviewed, and at Doncaster (5) and Pontefract (6) where the proposed new services were not fully operational at the time of the case study fieldwork.

The positive impacts of the DUPOF funded improvements become particularly clear when we compare the 12 DUPOF case studies with the four closure case studies. Table 5.3 (ii) shows the impacts of the sub-post office closure in terms of frequency of use and level of spending at an alternative post office/facility and perceptions of the quality and range of services at the alternative post office/facility. Many of the scores are negative, showing in particular less frequent use of the alternative post office /facility and, in two of the closure cases (Stockton and Manchester), decreased spending by both general public and public customers. In three of the cases the overall impact upon customers is negative, and in the fourth case the overall impact appears to be neutral. This comparison indicates that DUPOF's impact on customers in deprived areas compares very favourably with what would have happened if the sub-post office had closed.

Impact on the local community

Table 5.4(i) shows the impacts of the DUPOF improvements on the local community specifically with respect to whether customers were more likely to meet other local people at the sub-post office since the improvements and their perception of safety at the assisted sub-post office. There is a wide range of scores amongst the 12 DUPOF case studies, with the DUPOF improvements appearing to have had the most positive impacts on the community/safety component at Birkenhead and North Tyneside B (both having the maximum score of 12), Liverpool (11) and Greater Lever (10), whilst relatively low scores are shown at North Tyneside A (2), Dewsbury (6), Doncaster (7) and Manchester (7).

Again, the positive impact of the DUPOF improvements becomes particularly apparent when we make a comparison with the four closure case studies. As Table 5.4(ii) shows, with one exception (New Town), general public customers did not feel any safer at the alternative post office/facility than they did at the former post office and in two cases (the Manchester and Leeds closure cases), they felt less safe at the alternative post office/facility. Moreover, the community impacts had been particularly negative in all but one of the closure case studies (Coventry being the exception), with a substantial proportion of general public respondents saying that they were now less likely to meet people that they knew than when the sub-post office was open.

Impact on the business

Table 5.5 assesses the performance of the business since the DUPOF improvements, according to the estimates given by the sub-postmasters themselves. Manchester (with a score of 9), Birkenhead, Birmingham, North Tyneside B and Liverpool (all with scores of 8) appear to have benefited most from the DUPOF work. It is notable that these cases exhibited the

highest proportionate increases in sales turnover that could be attributed to the DUPOF improvements, as well as the highest share of the current sales turnover (i.e. at the time of the most recent sub-postmaster interview) attributable to the DUPOF. This is important, since it underlines that DUPOF has not only assisted sales growth, but also maintained sales (which may otherwise have been in decline). This is most notable in the cases of North Tyneside B, Dewsbury and Bolton B, where modest sales growth has been supported by comparatively high proportions of dependence upon DUPOF for current sales performance, which is also underpinned by the highest levels of FTE jobs being saved.

Table 5.5 also includes indicators for increased sales relating to increased trade from customers switching from other local post office branches that have closed within the last two years. This is helpful in calculating necessary adjustments in sales performance, where sub-postmasters may have conflated DUPOF performance with increased trade since the closure; hence negative scores are applied where closure trade has impacted on sales turnover. This demonstrates that Birmingham and Liverpool, both sub-post offices where there has been a high increase in sales turnover after the DUPOF alterations, have also benefited most from increased sales generated from post office closure customers.

New jobs as a result of DUPOF improvements were created at three-quarters of the case studies, with Manchester, Liverpool and Birmingham exhibiting the highest levels of new job creation. The poorest performing case studies were Grantham and Bolton A, which have experienced particularly low levels of job creation and sales turnover growth. The relative poor performance of Grantham is due to the very competitive local environment and the DUPOF improvements have at least saved some trade in this case. Similarly, Bolton A has faced increasing competition from a nearby supermarket; in this context DUPOF has allowed the post office to maintain trade but not to increase it.

Impact on other local businesses

Table 5.6 shows the impacts of the DUPOF related improvements on the local economy, as indicated by the survey evidence collected from local businesses and the general public. These findings relate to both positive multiplier impacts, such as any increased trade experienced by other local businesses, and also negative impacts arising from increased competition and associated loss of trade. The DUPOF improvements at Pontefract (with a score of 5), Birkenhead (4) and Bolton B (4) have made the greatest positive impact, generating more local general public use of and spending at other local shops. Conversely, at Birmingham (score of -5) and Dewsbury (-2) the DUPOF improvements appear to have had an overall negative local impact, largely as a result of fewer customers and less customer expenditure at other local shops.

5.3 Summary Overview

A summary overview of the impact scores from Tables 5.3 to 5.6 is provided in Table 5.7. This presents the final summary column scores from these tables and an overall total score and rank ordering according to the magnitude of the DUPOF related impacts for each of the 12 case study sub-post offices. The impact criteria for this overview are:

- customer sales;
- community and security;

- business performance;
- external economic impact.

Table 5.7 shows that DUPOF related improvements have had their biggest impacts in the Manchester, Birkenhead, Bolton B, Liverpool and North Tyneside B case studies. These five case studies are all amongst the top six in terms of their grant funding level and improvement activities indicator scores (Table 5.1), confirming that the degree of positive impact is closely associated with the size of the grant and the scale and nature of the improvements undertaken.

Overall, the DUPOF case studies that appear to have experienced the least impact were North Tyneside A, where the new tanning studio had made little impact on the surveyed general public and businesses⁷; Doncaster, where the proposed DUPOF services implemented have been limited and ineffectual, partly due to the new photo processing service not including digital processing; Birmingham, Dewsbury and to some extent Bolton A, where the DUPOF grant work has had a negative impact on the local business environment, insofar as it has increased competition with other local traders and displaced some of their customers.

At first sight, a comparison of the rankings of the 12 case studies on the total impact index (Table 5.7) with their rankings on the locality index (Table 5.2) suggests that the nature of the locality makes little difference to how effective the DUPOF improvements have been. Thus some of the case studies with the highest impact scores (notably Bolton B and Liverpool) have low rankings on the locality index. However, when we disaggregate this index, it is noticeable that the case studies with the highest impact scores also score highly on the 'proximity to shops' and 'proximity to services' indicators. On the other hand, they have a range of scores on the 'housing/resident type' index, suggesting that this makes little difference to the impact of the DUPOF improvements.

5.4 Conclusion

This chapter has developed a framework for examining and explaining the impact of DUPOF across the case studies, taking into account a variety of factors relating to the nature of the improvements made, the locality, and impacts on customers, the community and performance of the business. Variations in the impact of DUPOF between cases studies can be explained in broad terms by the nature of the improvements and how well-matched they are to the potential of the specific locality.

The analysis confirms that the degree of positive impact is strongly associated with the size of the grant and the scale and nature of the improvements undertaken. Diversification efforts also appear to have been most successful where the expanded activities were complementary to the existing PO and retail services offered and also to those offered by other local businesses.

Other locational factors contributing to improved performance are proximity of the branch to other local shops and public services, thus providing a strong customer base, and also migration of customers from nearby post office branch closures. More negatively, highly competitive local retail environments have clearly limited the potential for improved performance in some locations.

⁷ Although note that the follow-up survey indicated improved business performance in this case.

Table 5.1: Nature of DUPOF funded improvements – scores for 12 DUPOF case studies

| Location | DUPOF grant level | Funding leverage | Expanded Retail | Diversification [†] | Security | Access* improvement | PO Service Improvement | Total score score/(rank) |
|------------------|---|---|--|--|---|---|--|--------------------------|
| Manchester | 3 | 3 | 3 | 0 | 1 | 0 | 3 | 13 (1) |
| Birkenhead | 3 | 2 | 3 | 0 | 3 | 0 | 1 | 12 (3) |
| Pontrfract | 3 | 2 | 1 | 1 | 1 | 3* | 2 | 13 (1) |
| Doncaster | 3 | 0 | 1 | 1 | 2 | 2 | 0 | 9 (9) |
| Grantham | 3 | 1 | 2 | 0 | 2 | 2 | 2 | 12 (3) |
| Birmingham | 3 | 2 | 2 | 0 | 2 | 0 | 1 | 10 (8) |
| North Tyneside B | 3 | 2 | 2 | 0 | 3 | 0 | 2 | 12 (3) |
| Dewsbury | 2 | 0 | 2 | 2 | 3 | 0 | 0 | 9 (9) |
| Bolton B | 2 | 0 | 3 | 0 | 2 | 2 | 2 | 11 (6) |
| Liverpool | 3 | 3 | 2 | 0 | 2 | 0 | 1 | 11 (6) |
| North Tyneside A | 2 | 0 | 0 | 3 | 1 | 1 | 0 | 7 (11) |
| Bolton A | 1 | 0 | 2 | 2 | 1 | 0 | 0 | 6 (12) |
| Score code: | 0 = nil 1 = <20k 2 = 20-39k 3 = 40-50k | 0 = nil 1 = <20k 2 = 20-49k 3 = 50k+ | 0 = no 1 = planned 2 = some expansion 3 = major expansion | 0 = no 1 = planned 2 = moderate 3 = major diversification | 0 = no 1 = little 2 = moderate 3 = major | 0 = no 1 = little 2 = moderate 3 = major | 0 = no change 1 = little 2 = moderate 3 = major | |

Notes:

‘Major’ refers to a significantly high level of DUPOF grant being spent in the relevant category;

‘Planned’ refers to a planned improvement that was not yet fully operational at the time of fieldwork.

† Diversifications refer to: photo booths, photo-processing, hot food sales, mobile telephone sales and a tanning studio

PO service improvements: little = refit/improved PO service area; 2 = wider range of services; 3 = completely new introduced.

* Access refers mainly to improved doorway entries but also includes lowering the shop floor at Pontrfract.

Table 5.2: Locality indices – scores for 12 DUPOF case studies

| Location | Proximity to shops | Proximity to public services | Level of Competition | Proximity to industry | *housing/resident type: overall score; range () | Demographic dynamic change | Total score score/(rank) |
|------------------|--|---|--|--|--|--|--------------------------|
| Manchester | 3 | 3 | -3 | 1 | 1 (0, 1, 2) | 3 | 8 (5) |
| Birkenhead | 2 | 3 | -1 | 0 | 1 (0, 1, 2) | 2 | 8 (5) |
| Pontefract | 3 | 3 | -1 | 1 | 2 (2, 3) | 2 | 10 (1) |
| Doncaster | 3 | 3 | -1 | 1 | 2 (1, 2, 3) | 1 | 9 (2) |
| Grantham | 1 | 2 | -2 | 3 | 3 (2, 3) | 2 | 9 (2) |
| Birmingham | 2 | 2 | -2 | 0 | 1 (0, 1) | 2 | 5 (9) |
| North Tyneside B | 2 | 3 | -1 | 0 | 2 (1, 2) | 1 | 7 (7) |
| Dewsbury | 1 | 3 | -2 | 0 | 1 (0, 1, 3) | 1 | 4 (11) |
| Bolton B | 2 | 2 | -1 | 0 | 1 (1) | 1 | 5 (9) |
| Liverpool | 2 | 2 | -2 | 0 | 0 (0) | 1 | 3 (12) |
| North Tyneside A | 1 | 0 | 0 | 2 | 3 (2, 3) | 1 | 7 (7) |
| Bolton A | 2 | 2 | -1 | 2 | 3 (3) | 1 | 9 (2) |
| Score code: | 0 = none 1 = few 2 = parade 3 = town centre | 0 = none 1 = few 2 = some 3 = many/large service centres | 0 = none -1 = little -2 = some -3 = substantial | 0 = none 1 = few 2 = some 3 = many/large estate | 0 = multi ethnic low income/ unemployed 1 = OAP/Council 2 = new home 3 = mature home | 0 = no change 1 = little 2 = some 3 = major | |

Note:

*ACORN scale 0 = (17+16+15), low income, high unemployment, greatest hardship; 1 = (14+13) council estate residents and old people in less prosperous areas; 2 = (11+12) new home owners and better-off multi-ethnic communities; 3 = (10+9) mature home owning areas/skilled workers.
Demographic change reflects SPM's observation of new residential and new business customers in the locality.

Table 5.3(i): Sales and services matrix – scores for 12 DUPOF case studies

| Location | Business Increased use | General public increased use | Business Increased spending | General public Increased spending | Business Improved service | General public Improved service | Total score score/(rank) |
|------------------|---|--|--|--|---|---|-----------------------------|
| Manchester | 1 | 3 | 0 | 1 | 1 | 3 | 9 (7) |
| Birkenhead | 1 | 3 | 0 | 3 | 1 | 3 | 11 (4) |
| Pontefract | 0 | 1 | 0 | 1 | 1 | 3 | 6 (10) |
| Doncaster | 0 | 0 | 0 | 1 | 1 | 3 | 5 (11) |
| Grantham | 2 | 3 | 2 | 0 | 3 | 3 | 13 (2) |
| Birmingham | 0 | 2 | 0 | 1 | 2 | 3 | 8 (9) |
| North Tyneside B | 0 | 3 | 1 | 3 | 2 | 2 | 11 (4) |
| Dewsbury | 1 | 2 | 1 | 3 | 2 | 2 | 11 (4) |
| Bolton B | 0 | 1 | 2 | 3 | 3 | 3 | 12 (3) |
| Liverpool | 2 | 2 | 3 | 2 | 3 | 2 | 14 (1) |
| North Tyneside A | 0 | 1 | 0 | 1 | 1 | 1 | 4 (12) |
| Bolton A | 1 | 1 | 1 | 2 | 2 | 2 | 9 (7) |
| Score code: | 0 = -9-0 1 = 1-15% 2 = 16-29% 3 = 30%+ | 0 = 0 1 = 1-15% 2 = 16-29% 3 = 30%+ | 0 = 0 1 = 1-15% 2 = 16-29% 3 = 30%+ | 0 = 0 1 = 1-15% 2 = 16-29% 3 = 30%+ | 0 = 0 1 = 1-33% 2 = 34-66% 3 = 67% + | 0 = 0 1 = 1-33% 2 = 34-66% 3 = 67% + | |

Note:

% change is based on net change results (e.g. positive respondent % change minus negative % change).

Table 5.3(ii): Sales and services matrix – scores for 4 closure case studies

| Location | Business Increased use | General public increased use | Business Increased spending | General public Increased spending | Business Improved service | General public Improved service | Total score |
|-------------|---|---|---|---|---|---|-------------|
| New Town | -2 | -3 | -1 | -2 | 2 | 3 | -3 |
| Manchester | -2 | -3 | -2 | -2 | 1 | 1 | -7 |
| Leeds | -3 | -3 | 3 | 2 | 2 | -1 | 0 |
| Coventry | -2 | -3 | 2 | 2 | -1 | -1 | -3 |
| Score code: | -1 = -1-25% -2 = -26-50% -3 = <-50% | -1 = -1-25% -2 = -26-50% -3 = <-50% | -2 = -26-50% -1 = -1-25% 0 = 0 1 = 1-15% 2 = 16-29% 3 = 30%+ | -2 = -26-50% -1 = -1-25% 0 = 0 1 = 1-15% 2 = 16-29% 3 = 30%+ | -1 = -1-25% 0 = 0 1 = 1-33% 2 = 34-66% 3 = 67%+ | -1 = -1-25% 0 = 0 1 = 1-33% 2 = 34-66% 3 = 67%+ | |

Note:

% change is based on net change results (e.g. positive respondent % change minus negative % change).

Table 5.4(i): Community and safety scores for 12 DUPOF case studies

| Location | Business Improved safety | General public Improved safety | General public More likely to meet local people | General public More important PO community role | Total score score/(rank) |
|------------------|--|--|---|---|-----------------------------|
| Manchester | 0 | 3 | 1 | 3 | 7 (9) |
| Birkenhead | 3 | 3 | 3 | 3 | 12 (1) |
| Pontrfract | 0 | 3 | 3 | 3 | 9 (5) |
| Doncaster | 3 | 0 | 2 | 2 | 7 (9) |
| Grantham | 1 | 3 | 2 | 3 | 9 (5) |
| Birmingham | 2 | 3 | 1 | 3 | 9 (5) |
| North Tyneside B | 3 | 3 | 3 | 3 | 12 (1) |
| Dewsbury | 2 | 2 | 0 | 2 | 6 (11) |
| Bolton B | 3 | 2 | 2 | 3 | 10 (4) |
| Liverpool | 3 | 3 | 2 | 3 | 11 (3) |
| North Tyneside A | 0 | 0 | 1 | 1 | 2 (12) |
| Bolton A | 3 | 2 | 2 | 2 | 9 (5) |
| Score code: | 0 = 0 1 = 1-15% 2 = 16-29% 3 = 30%+ | 0 = 0 1 = 1-15% 2 = 16-29% 3 = 30%+ | 0 = 0 1 = 1-33% 2 = 34-66% 3 = 67% + | 0 = 0 1 = 1-33% 2 = 34-66% 3 = 67% + | |

Note:

% change is based on net change results.

Table 5.4(ii): Community and Safety Score for 4 Closure Studies

| Location | General public – perception of safety | General public less likely to meet other people | Total score |
|-------------|--|--|-------------|
| New Town | 2 | -3 | -1 |
| Manchester | -1 | -2 | -3 |
| Leeds | -1 | -2 | -3 |
| Coventry | 1 | 1 | 2 |
| Score code: | -1 = -1-15% 1 = 1-15% 2 = 16-29% | -3 = <-67% -2 = -34-66% -1 = -1-33% 1 = 1-33% | |

Note:

% change is based on net change results (e.g. positive respondent % change minus negative % change)

Table 5.5: Impacts on the business – scores for 12 DUPOF case studies

| Location | Fte jobs created | Fte jobs saved | *increased sales turnover | % current trade attributed to DUPOF | % increase trade from PO closure | Total score score/rank |
|------------------|--|---|--|---|--|------------------------|
| Manchester | 3 | 2 | 2 | 2 | 0 | 9 (1) |
| Birkenhead | 1 | 2 | 3 | 3 | 0 | 9 (1) |
| Pontefract | 2 | 2 | 2 | 1 | -2 | 5 (8) |
| Doncaster | 1 | 2 | 0 | 1 | 0 | 4 (10) |
| Grantham | 0 | 1 | 0 | 3 | -1 | 3 (11) |
| Birmingham | 3 | 2 | 3 | 3 | -3 | 8 (3) |
| North Tyneside B | 1 | 2 | 2 | 3 | 0 | 8 (3) |
| Dewsbury | 0 | 3 | 2 | 3 | -1 | 7 (6) |
| Bolton B | 2 | 3 | 1 | 2 | -1 | 7 (6) |
| Liverpool | 3 | 2 | 3 | 3 | -3 | 8 (3) |
| North Tyneside A | 1 | 1 | 2 | 1 | 0 | (8) |
| Bolton A | 0 | 2 | 0 | 1 | 0 | 3 (11) |
| Score code: | 0 = none 1 = 0.5-1FTE 2 = 1.5FTEs 3 = 2+ FTEs | 0 = none 1 = <2FTEs 2 = 2-4 FTEs 3 = >4 FTEs | 0 = no change 1 = 1-15% 2 = 16-29% 3 = 30%+ | 0=none 1=1-15% 2=16-29% 3=30%+ | 0=none -1=1-15% -2=16-29% -3=30%+ | |

Note:

* increased sales turnover represents a combining of business and general customer sales turnover figures – increased customer levels follow an almost identical trend and are therefore not included as a separate entry.

Table 5.6: Impacts on other local businesses – scores for 12 DUPOF case studies

| Location | General public more use of other local shops | Local business increased competition | Local business Decrease in customers | Local business Increase in customers | Local business Increase in customer spend | Local business decrease in customer spend | Total score score/(rank) |
|------------------|--|---|---|--|--|---|--------------------------|
| Manchester | 3 | 0 | 0 | 0 | 0 | 0 | 3 (4) |
| Birkenhead | 3 | -1 | 0 | 1 | 1 | 0 | 4 (2) |
| Pontefract | 3 | 0 | 0 | 1 | 1 | 0 | 5 (1) |
| Doncaster | 2 | -1 | 0 | 0 | 0 | 0 | 1 (9) |
| Grantham | 1 | 0 | 0 | 0 | 0 | 0 | 1 (9) |
| Birmingham | 1 | -2 | -2 | 0 | 0 | -2 | -5 (12) |
| North Tyneside B | 3 | -1 | 0 | 0 | 1 | 0 | 3 (4) |
| Dewsbury | 1 | -1 | -1 | 0 | 0 | -1 | -2 (11) |
| Bolton B | 2 | -1 | 0 | 1 | 2 | 0 | 4 (2) |
| Liverpool | 3 | -1 | 0 | 1 | 0 | 0 | 3 (4) |
| North Tyneside A | 1 | 0 | 0 | 1 | 0 | 0 | 2 (7) |
| Bolton A | 1 | -1 | 0 | 1 | 1 | 0 | 2 (7) |
| Score code: | 0 = 0 1 = 1-15% 2 = 16-29% 3 = 30%+ | 0 = 0 -1 = 1-15% -2 = 16-29% -3 = 30%+ | 0 = 0 -1 = 1-15% -2 = 16-29% -3 = 30%+ | 0 = 0 1 = 1-15% 2 = 16-29% 3 = 30%+ | 0 = 0 1 = 1-15% 2 = 16-29% 3 = 30%+ | 0 = 0 -1 = 1-15% -2 = 16-29% -3 = 30%+ | |

Note:

% change is based on net change results.

Table 5.7: Summary of impact scores for 12 DUPOF Case Studies

| Location | Customer sales score/(rank) | Community and security score/(rank) | Business performance score/(rank) | External economic impact score/(rank) | Total score score/(rank) |
|------------------|--------------------------------|---|---|---|-----------------------------|
| Liverpool | 14 (1) | 11 (3) | 8 (3) | 3 (4) | 36 (1) |
| Birkenhead | 11 (4) | 12 (1) | 9 (1) | 4 (2) | 36 (1) |
| North Tyneside B | 11 (4) | 12 (1) | 8 (3) | 3 (4) | 34 (3) |
| Bolton B | 12 (3) | 10 (4) | 7 (6) | 4 (2) | 33 (4) |
| Manchester | 9 (7) | 7 (9) | 9 (1) | 3 (4) | 28 (5) |
| Pontefract | 6 (10) | 9 (5) | 5 (8) | 5 (1) | 25 (6) |
| Grantham | 13 (2) | 9 (5) | 3 (11) | 1 (9) | 25 (6) |
| Bolton A | 9 (7) | 9 (5) | 3 (11) | 2 (7) | 23 (8) |
| Dewsbury | 11 (4) | 6 (11) | 7 (6) | -2 (11) | 22 (9) |
| Birmingham | 8 (9) | 9 (5) | 8 (3) | -5 (12) | 20 (10) |
| Doncaster | 5 (11) | 7 (9) | 4 (10) | 1 (9) | 17 (11) |
| North Tyneside A | 4 (12) | 2 (12) | 5 (8) | 2 (7) | 13 (12) |

Chapter 6: DUPOF assisted Post Offices within the context of the urban network reinvention programme

6.1 Introduction

As discussed in chapter 1, the DUPOF needs to be viewed alongside the Post Office Ltd's Urban Network Reinvention Programme (UNRP) as together, these policies were intended to form a coordinated approach to the drive to rationalise the network in urban areas. This chapter therefore aims to place the DUPOF within the wider context of what has been happening to the urban post office branch network in recent years. It does this by presenting the results of an analysis of branch closure rates within one region, the North West, and comparing this with the incidence of the DUPOF assistance. This region was chosen for the analysis as it has the largest number of post offices in deprived urban areas and as a result, received the largest share of the DUPOF funding.

The analysis in the first part of this chapter centres on the extent to which closure rates in the 10% most deprived urban wards targeted by the DUPOF programme are different to those in other urban wards where DUPOF does not apply. Given the influence of the DUPOF, together with the commitment of the Post Office not to close any branch offices in deprived areas where there are no other branches within half a mile, we would expect closure rates to be lower in the 10% most deprived areas. This then leads onto a comparison between closure rates in the most deprived wards and the proportion of post offices that received DUPOF assistance.

The analysis is conducted at the scale of all the urban wards within the North West region and also for the urban wards within ten of the largest local authorities within the region. The following section describes the branch datasets utilised in this analysis and their use in determining the rate of post office closure in urban deprived wards compared to non-deprived wards.

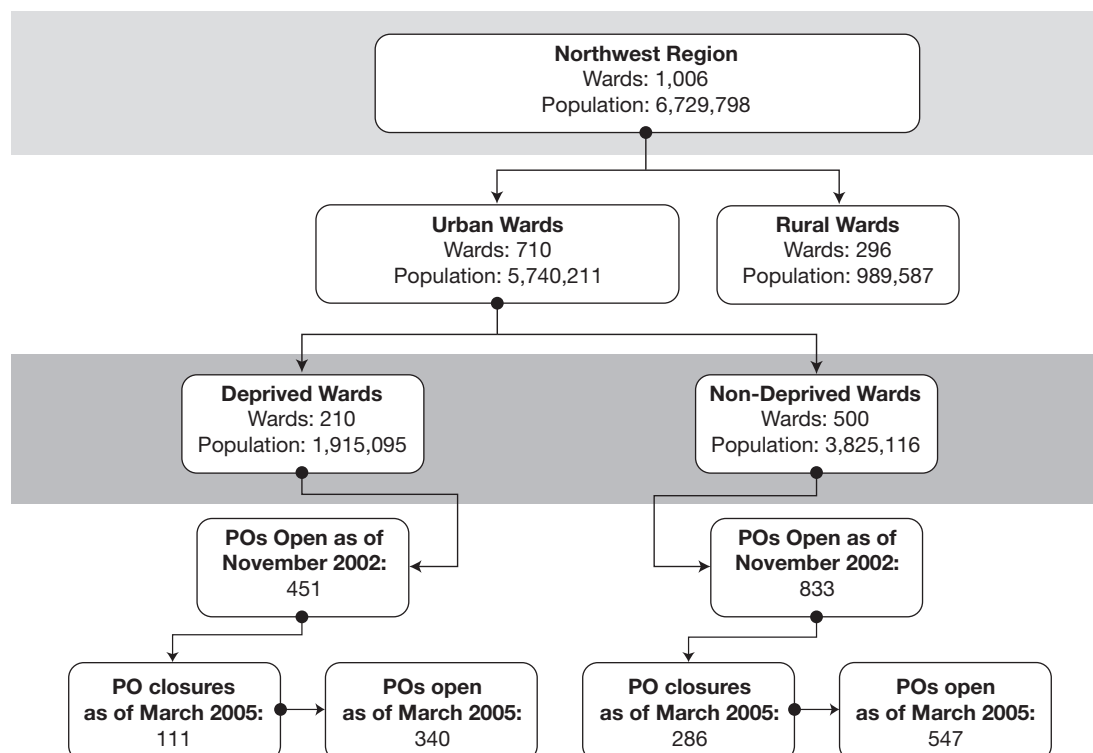
6.2 Data sources

Four datasets were primarily used in this analysis:

- 2001 census population data in the North West obtained from the Office of National Statistics (ONS);
- Post office branch closures between November 2002 and March 2005 and branches that remained open as of March 2005 in the North West region, provided by the Post Office Ltd;
- Index of Multiple Deprivation data at ward level for 2000, provided by the Office of the Deputy Prime Minister (ODPM), and;
- Data on DUPOF assisted sub-post offices obtained from the Neighbourhood Renewal Unit (NRU).

The data analysis using these different data sets was carried out at ward level. Figure 6.1 summarises some of the key statistics relating to the distribution of open and closed post offices between different types of ward.

Figure 6.1: Summary of key statistics for the North West region



Census data 2001

The North West region had a total population of 6,729,798 in 2001 distributed across 1,006 urban and rural wards. As well as undertaking the analysis for all 710 urban wards within the North West region, the analysis was repeated for ten of the largest local authorities within the region.

Table 6.1: Population of the North West region and local authorities

| Local Authority | Population |
|--------------------------|------------------|
| Knowsely | 150,455 |
| St. Helens | 155,850 |
| Rochdale | 205,295 |
| Salford | 216,068 |
| Bolton | 261,023 |
| Oldham | 279,507 |
| Sefton | 282,924 |
| Wirral | 312,376 |
| Manchester | 392,853 |
| Liverpool | 439,582 |
| North West Region | 6,729,798 |

Source: 2001 Census

Post Office data

Data provided by the Post Office identified those post office branches that remained open as of March 2005 and also closures⁸. Table 6.2 shows a subset of these data, showing the location of the branch including ward and its status (open or closed). For example, the table shows all five branches in the Abercromby ward, of which only three remained open as of March 2005.

The Post Office dataset classifies each closure as either an UNRP or a non-UNRP closure. Of the total number of closures (397) in the North West, most (385) were UNRP closures while only a small number (12) were non-UNRP closures. Given the predominance of UNRP closures, we do not distinguish between the two types in the subsequent analysis.

Table 6.2: Post office status for Abercromby ward

| Ward | Branch name | Status |
|------------|----------------------|------------------|
| Abercromby | St James street spso | UNRP Closure |
| Abercromby | Leece street spso | Open |
| Abercromby | Lyceum bo | Non UNRP Closure |
| Abercromby | The university spso | Open |
| Abercromby | Mill street spso | Open |

Source: Post Office Ltd. 2005

Index of Multiple Deprivation

The third dataset relates to the Index of Multiple Deprivation (IMD) for wards in the North West in the year 2000 and provides the information necessary to classify each ward as either deprived or non-deprived. Of the 1,006 wards (urban and rural) in the North West, a total of 210 urban wards were classified as belonging to the 10% most deprived in England.

Population distribution between deprived and non-deprived urban wards

In order to determine the population distribution between deprived and non-deprived urban wards, it was necessary to use all three of the datasets mentioned above. The Post Office data was first used to identify all urban wards in the North West region. The list of urban wards was then further sub-classified as either deprived or non-deprived using the Index of Multiple Deprivation. The population for each sub-classification was then derived using data from the 2001 census by summing the wards in each category. It is worth noting that there were a few cases where wards did not contain any post offices.⁹ It is assumed that residents of these wards that lack a post office would normally travel to the nearest post office in a neighbouring ward. The populations for deprived and non-deprived urban wards in the North West were 1,915,095 and 3,825,116 respectively.

⁸ There were also two new PO openings planned within the North West as part of the UNRP but neither has been completed at the time of writing (personal communication with PO Ltd).

⁹ In the North West, 9 deprived and 56 non-deprived wards did not have any post office in November 2002.

6.3 The rate of PO closures in the North West

Table 6.3 shows that the North West region had a total of 1,284 post offices in urban wards as of November 2002. Of this total, 451 (35%) were in deprived areas with the remaining 833 (65%) in non-deprived areas. Between November 2002 and March 2005, there were a total of 111 branch closures in deprived areas (i.e. 28% of all closures) compared to 286 in non-deprived areas (i.e. 72% of all closures). As a direct consequence of these closures, the number of people served per post office increased. In deprived areas, the average number of people served by each post office in November 2002 was 4,246, increasing by 33% to 5,633 people by March 2005. Similarly in non-deprived areas, the average number of people served increased from 4,592 by 52% to 6,993 in March 2005 (Table 6.4).

Table 6.3: Number of POs open in the North West (2002-2005)

| | Open (2002) | Closures (2002-2005) | Open (2005) | % Change (2002-2005) |
|--------------|-------------|-------------------------|-------------|-------------------------|
| Deprived | 451 | 111 | 340 | -25% |
| Non-Deprived | 833 | 286 | 547 | -34% |
| North West | 1,284 | 397 | 887 | -31% |

Table 6.4: Number of people per PO in the North West (2002-2005)

| | Population Urban Wards | People per Open PO (2002) | People per Closed PO (2002-2005) | People per Open PO (2005) |
|--------------|---------------------------|---------------------------------|--|---------------------------------|
| Deprived | 1,915,095 | 4,246 | 17,253 | 5,633 |
| Non-Deprived | 3,825,116 | 4,592 | 13,375 | 6,993 |
| North West | 5,740,211 | 4,471 | 14,459 | 6,471 |

In order to compare the rate of closures on a like-for-like basis, it is necessary to normalise the number of post offices according to the population served. With this in mind, we see that in November 2002, the average number of open post offices per 100,000 people in deprived wards was 24. This compares to 22 post offices per 100,000 people in non-deprived wards. By March 2005, the average number of open post offices per 100,000 people in deprived wards had decreased by 25% to 18 and by 34% to 14 in non-deprived wards (Table 6.5). It is therefore clear that the rate of closures in deprived wards was significantly less than in non-deprived wards over this 30 month period.

Table 6.5: Average number of POs per 100,000 people in the North West (2002-2005)

| | Open (2002) | Closures (2002-2005) | Open (2005) |
|--------------|-------------|-------------------------|-------------|
| Deprived | 24 | 6 | 18 |
| Non-Deprived | 22 | 7 | 14 |
| North West | 22 | 7 | 15 |

6.4 Rate of PO closures in twelve local authorities in the North West

Based on the information provided by the 2001 Census, ten local authorities (LAs) from the North West were selected to carry out similar analysis as at the regional scale. The aim is to compare post offices closure rates for deprived versus non-deprived wards in these local authorities.

Table 6.6 summarises the key statistics used to determine the rates of closure for deprived wards in the ten selected local authorities. Given the considerable variation in population sizes, local authorities are compared in terms of the number of post offices per 100,000 people. On average, deprived wards in the ten local authorities had 24 post offices per 100,000 people in November 2002. This number was reduced to 18 post offices per 100,000 by March 2005, constituting an effective reduction of 23% in the number of post offices in deprived areas.

While marked differences between local authorities were apparent in November 2002, these had narrowed by 2005. In November 2002, Knowsley had the lowest number of post offices per 100,000 in its urban deprived wards (i.e. 17), followed by Liverpool (19 post offices per 100,000). By March 2005, Liverpool had experienced effectively an average 4 closures per 100,000 people whereas Knowsley experienced none at all. For the same period, Rochdale and Wirral had an average of 30 and 29 open post offices per 100,000 people respectively in November 2002. By March 2005, the number of post offices had declined significantly by 35% and 32% respectively, or by an average number of 10 and 9 closures per 100,000 people.

Table 6.6: POs in deprived wards in local authorities of the North West

| | Population Deprived Wards | POs Open (2002) | POs Closed (2005) | Open POs (per 100,000 people) (2002) | Closed POs (per 100,000 people) (2005) | Open POs (per 100,000 people) (2005) | % of POs closed |
|----------------|---------------------------|-----------------|-------------------|--------------------------------------|--|--------------------------------------|-----------------|
| Knowsley** | 103,252 | 18 | 0 | 17 | 0 | 17 | 0% |
| St. Helens** | 62,599 | 16 | 5 | 26 | 8 | 18 | 31% |
| Rochdale | 77,013 | 23 | 8 | 30 | 10 | 19 | 35% |
| Salford | 81,415 | 20 | 4 | 25 | 5 | 20 | 20% |
| Bolton | 85,742 | 21 | 4 | 24 | 5 | 20 | 19% |
| Oldham** | 75,221 | 21 | 5 | 28 | 7 | 21 | 24% |
| Sefton | 90,119 | 19 | 3 | 21 | 3 | 18 | 16% |
| Wirral | 76,095 | 22 | 7 | 29 | 9 | 20 | 32% |
| Manchester | 296,362 | 66 | 14 | 22 | 5 | 18 | 21% |
| Liverpool | 312,712 | 60 | 14 | 19 | 4 | 15 | 23% |
| Average | | | | 24 | 6 | 18 | 23% |

** Excluding rural wards

Note: discrepancies in some figures due to rounding

Table 6.7 presents the same analysis for the non-deprived wards for the 10 local authorities (LAs). Averaging again over all 10 LAs, there were 21 post offices open in 2002 per 100,000 people. By March 2005, 7 post offices per 100,000 had closed an effective reduction of 33%. Of the 10 LAs, Knowsley had the lowest average number of post offices open in 2002 (12) and no closures at all. On the other hand, Salford had the highest number of open post offices (27) and experienced an average of 10 closures per 100,000 people.

Table 6.7: POs in non-deprived wards in local authorities in the North West

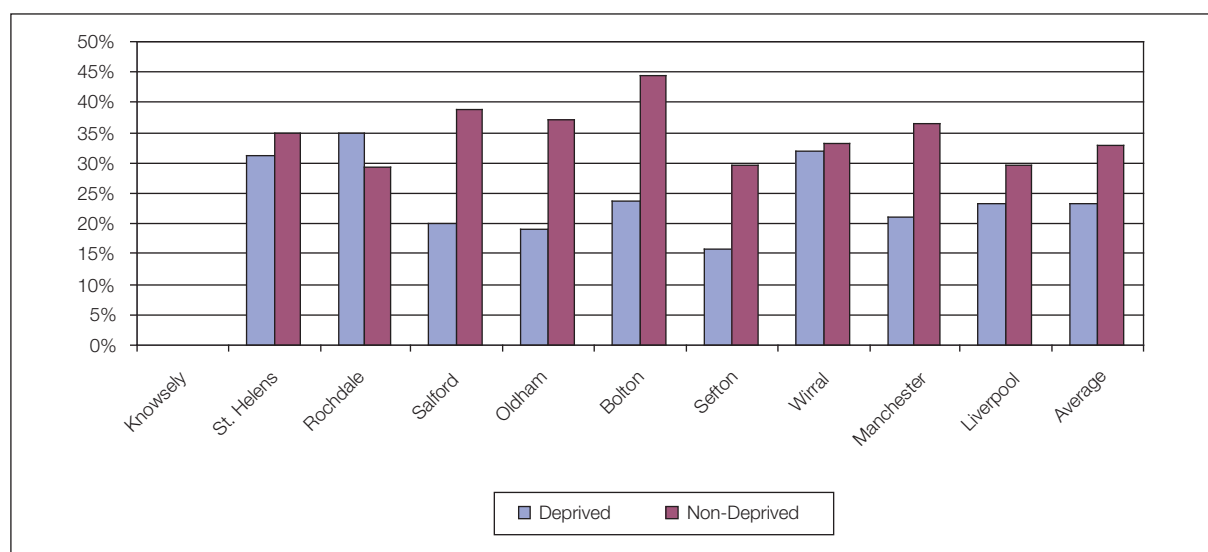
| | Population Non-Deprived Wards | POs Open (2002) | POs Closed (2005) | Open POs (per 100,000 people) (2002) | Closed POs (per 100,000 people) (2005) | Open POs (per 100,000 people) (2005) | % of POs closed |
|----------------|-------------------------------|-----------------|-------------------|--------------------------------------|--|--------------------------------------|-----------------|
| Knowsley** | 34,464 | 4 | 0 | 12 | 0 | 12 | 0% |
| St. Helens** | 93,251 | 20 | 7 | 21 | 8 | 14 | 35% |
| Rochdale | 128,282 | 24 | 7 | 19 | 5 | 13 | 29% |
| Salford | 134,653 | 36 | 14 | 27 | 10 | 16 | 39% |
| Bolton | 175,281 | 35 | 13 | 20 | 7 | 13 | 37% |
| Oldham** | 129,065 | 27 | 12 | 21 | 9 | 12 | 44% |
| Sefton | 192,805 | 44 | 13 | 23 | 7 | 16 | 30% |
| Wirral | 236,281 | 54 | 18 | 23 | 8 | 15 | 33% |
| Manchester | 96,491 | 22 | 8 | 23 | 8 | 15 | 36% |
| Liverpool | 126,870 | 27 | 8 | 21 | 6 | 15 | 30% |
| Average | | | | 21 | 7 | 14 | 33% |

** Excluding rural wards

Note: discrepancies in some figures due to rounding

To illustrate the difference in the number of closures in deprived and non-deprived wards, Figure 6.2 charts the percentage of closures per local authority. This clearly displays that deprived wards in ten local authorities in the North West of England generally had lower rates of closure than the non-deprived wards. Only in the case of Rochdale did the number of closures per 100,000 people in urban deprived wards exceed that in the non-deprived wards. Knowsley had no closures at all, neither in its deprived nor non-deprived wards. It is therefore concluded that out of ten local authorities, 8 had a lower rate of closure in deprived wards than in non-deprived wards.

Figure 6.2: Percentage of PO Closures in deprived and non-deprived wards of 10 LAs of the North West

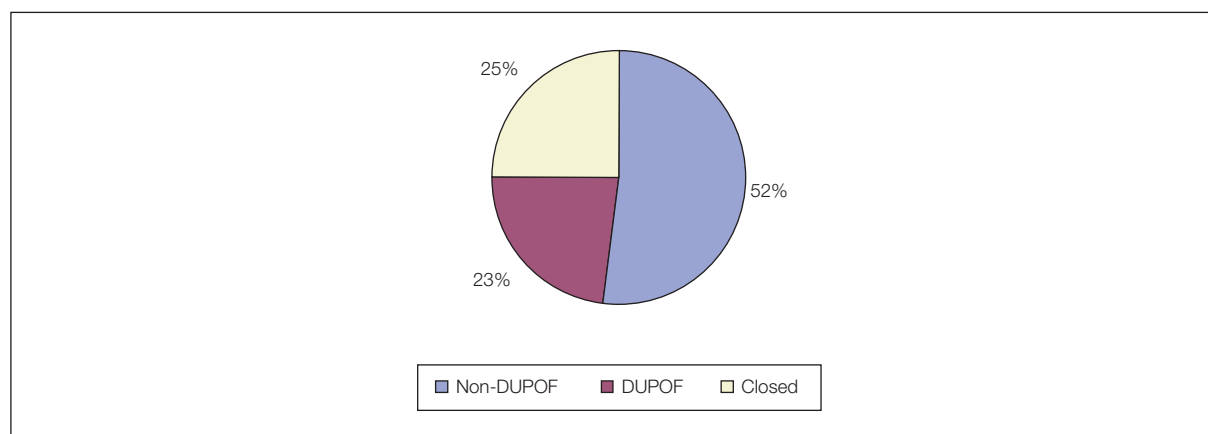


6.5 The incidence of the DUPOF in deprived wards

This final section focuses on the incidence of the DUPOF in urban deprived wards of the North West and 10 local authorities. A comparison is made between the numbers of post offices that stayed open with the assistance of the DUPOF and the number of post offices that closed.

As previously mentioned, in November 2002 there were 451 open post offices in deprived urban wards in the North West. Of these, DUPOF provided financial assistance to 105 sub-post offices in an effort to reduce the risk of them closing. Figure 6.3 gives a breakdown of the situation in the North West region as of March 2005. The proportion of post offices receiving the grant from the DUPOF was 23% (106) of the total. By March 2005, 52% (235) of the post offices remained open despite not receiving any funding from the DUPOF. The remaining 25% of the branches had closed.

Figure 6.3: Status of all 2002 POs at March 2005 in the North West (deprived wards only)



Again, in order to meaningfully compare the ten local authorities, it is necessary to standardise the data according to population. Considering the deprived urban wards in the North West as a whole, there was an average number of 5 DUPOF post offices per 100,000 people. With this in mind, Table 6.8 shows that Salford, Rochdale and Oldham had an average number of DUPOF funded post offices; St. Helens, Manchester, Knowsley and Liverpool had numbers just above the average and Bolton (13) and Sefton (10) did particularly well. Hence substantial variations are apparent in the uptake of the DUPOF between the ten local authorities.

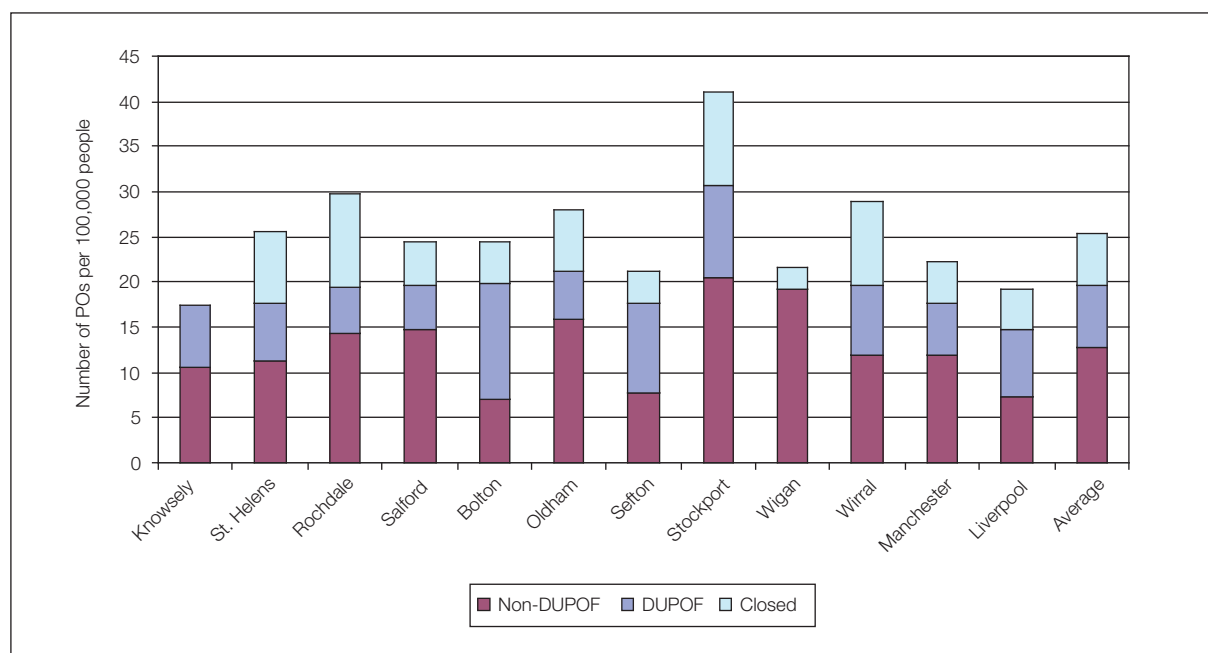
Table 6.8: Rate of POs in urban deprived wards funded by DUPOF in 12 LAs and in the North West

| | Population Deprived Wards | POs in Deprived Wards (2002) | DUPOF POs | DUPOF POs (per 100,000 people) |
|-------------------|---------------------------|------------------------------|------------|--------------------------------|
| Knowsley** | 103,252 | 18 | 7 | 7 |
| St. Helens** | 62,599 | 16 | 4 | 6 |
| Rochdale | 77,013 | 23 | 4 | 5 |
| Salford | 81,415 | 20 | 4 | 5 |
| Bolton | 85,742 | 21 | 11 | 13 |
| Oldham** | 75,221 | 21 | 4 | 5 |
| Sefton | 90,119 | 19 | 9 | 10 |
| Wirral | 76,095 | 22 | 6 | 8 |
| Manchester | 296,362 | 66 | 17 | 6 |
| Liverpool | 312,712 | 60 | 23 | 7 |
| North West | 1,915,095 | 451 | 105 | 5 |

** Excluding rural wards

Finally, Figure 6.4 enables the 10 local authorities to be compared in terms of what happened to the post office branches within the most deprived urban wards that were in existence in November 2002, distinguishing between the rates of closure on the one hand, and the level of DUPOF assistance amongst the surviving post offices on the other. For most local authorities the number of post offices receiving the DUPOF assistance per 100,000 people is similar to the number of closures, the notable exceptions being Bolton, Knowsley and Sefton where the number of DUPOF assisted post offices is higher, and Rochdale where the number of closures is higher. Figure 6.4 also shows that for most of the local authorities, the proportion of the surviving post offices that were not DUPOF assisted exceeds those that were. Whilst these have not benefited from the DUPOF, some will have survived because of the Post Office's undertaking not to close branches in those deprived urban wards where there are no other branches within half a mile.

Figure 6.4: Number of POs funded and not funded by DUPOF and closed POs (per 100,000 people in 2002)



6.6 Conclusion

This analysis has helped us to look at the DUPOF assisted post offices in the North West region alongside the closures that have been taking place since 2002 as a result of the Urban Network Reinvention Programme. It shows that the rate of post office branch closures in the North West has been lower in the deprived wards than in the non-deprived wards. The analysis shows the status of POs in March 2005 – of the total number of 24 post offices open per 100,000 in 2002, six had closed and five received funding from DUPOF and were still open, the remaining 13 remaining open but without DUPOF assistance.

The comparative analysis of the ten largest local authorities in the North West region shows that there were some marked differences in post office closure rates between 2002 and 2005, resulting in greater uniformity in the density of post offices in relation to the population. It also shows some marked variations between the ten local authorities in the proportion of POs receiving DUPOF grants, ranging from 52% at one extreme to 17% at the other.

It cannot be concluded that all of the DUPOF assisted post offices would have closed had it not been for DUPOF as some would have found other ways of surviving, helped in many instances by the transfer of business from post offices that were closed down. However, it can be seen that DUPOF has assisted a large proportion of all POs in deprived areas and, along with UNRP, has helped maintain a larger network than is the case in non-deprived urban areas. A longer time interval is ideally required to fully assess the combined effect of the UNRP and the DUPOF on the viability of the post offices network in deprived urban areas.

Chapter 7: Conclusions

This final chapter summarises the main findings of the evaluation of the DUPOF programme in terms of its impacts and additionality, and also the implications, both for post office diversification and for small businesses in general in urban deprived areas.

7.1 The impact and additionality of DUPOF

7.1.1 Impact on assisted sub-post offices

The overall findings confirm that in most cases DUPOF appears to have had a positive impact in terms of the performance and viability of assisted businesses. As reported in chapter 3, 75% of the interviewed sub-postmasters in the initial survey and 65% in the follow-up survey said that their overall sales turnover had increased since making the DUPOF improvements. Growth has been largely on the retail side of businesses, however, and needs to be set against declining sales of PO products and services in many instances. Although there were other factors contributing to turnover growth, most notably the migration of customers as a result of the closure of other local post offices, the majority of sub-postmasters felt that the DUPOF improvements had had the greater impact.

Similarly, 64% of the interviewed sub-postmasters in the initial survey and 50% in the follow-up survey considered that their profitability had improved since making the DUPOF improvements. The lower proportion identifying improvements in sales turnover and profitability in the follow-up survey is a concern and appears to reflect a continuing decline in PO income being experienced by many branches. Thus there is some indication that, over time, the positive impact of the DUPOF grant on some businesses is being negated by the ongoing decline in PO sales which in turn can have an adverse effect on retail sales. The comparison of the best performing and worst performing sub-post offices from the survey of sub-postmasters (section 3.5.2 iv-v) confirms the differences in the levels of impact resulting from the DUPOF improvements. Further analysis of those sub-post offices which took part in both surveys shows three distinct groupings within this subset:

- *Group 1:* experienced a consistent increase in both PO and retail sales (35% of surveyed sub-post offices), with a combination of nearby branch closures and the DUPOF improvements given as the main reasons for increases in PO sales in most of these cases.
- *Group 2:* experienced a decrease in PO sales on the one hand but an increase in retail sales on the other. In just over half of these cases the growth in retail sales more than compensated for the decline in PO sales, resulting in an overall increase in sales turnover, whereas four experienced an overall decline in sales turnover and five no overall change (41% of surveyed sub-post offices).
- *Group 3:* experienced both declining retail and PO sales (10% of surveyed sub-post offices).

The more detailed examination of the 12 case studies confirms the varied impact of the DUPOF on business performance, while providing further insight into the sources of these variations. Although seven of them experienced improved performance, the others reported no change to sales turnover and profitability and, in one case, performance had deteriorated. The main reasons for the disappointing performance of some DUPOF assisted sub-post offices appear to be the ongoing decline of PO income, high levels of local competition (notably from supermarkets, mini-market stores and petrol stations) and the absence of local post office closures which would have led to some transfer of customers.

7.1.2 Impact on the local economy

This evaluation has also demonstrated that the DUPOF has brought about a number of local economic and community benefits to some of the most deprived urban areas. First, the evidence from the survey of sub-postmasters indicates that a significant number of jobs have been saved and new jobs created in sub-post offices as a result of the improvements made. We estimate that for the 339 assisted sub-post offices, around one thousand jobs have been saved and an additional 300 new jobs created, the bulk of which are part-time. Of course, it has to be remembered that this is only one side of the coin as many jobs will have also been lost in those post offices that have closed under the Urban Network Reinvention Programme. As the analysis of the North West region shows (chapter 6), the rate of post office branch closures in the North West has been lower in the deprived wards than in the non-deprived wards. Of the total number of 24 post offices open per 100,000 people in 2002, six had closed and five received funding from DUPOF, leading in effect to a 'transfer' of employment to the assisted post offices.

Second, the evidence from the survey of sub-postmasters indicates that other local businesses benefited from the DUPOF improvements, with much of the work going to building contractors and suppliers located within five miles of the post office, rather than 'leaking out' to non-local businesses. However, this is a one-off, short-term impact, and the survey evidence relating to the supply of the new and expanded goods and services indicates that it is mainly 'non-local' suppliers that are used.

Third, there is some rather inconsistent evidence relating to whether or not the DUPOF improvements have had any 'spill over' effects which benefit other local businesses. Of the interviewed sub-postmasters, 60% thought that other local businesses had benefited from an increase in the number of customers as a result of more people visiting the sub-post office. At the same time, most (97%) identified that they had competitors within one mile and, although difficult for sub-postmasters to accurately assess, 70% thought that the DUPOF improvements had had 'no impact' on competitors, while 28% thought that competitors were doing 'less well'. More reliably, perhaps, almost a third of the interviewed customers in the 12 DUPOF case studies said that they now spent more at other shops in the locality. However, as far as the interviewed local business owners themselves were concerned, there appears to have been no noticeable increase in the numbers of customers and their spending; the few cases where there had been an increase being balanced by a similar number identifying a decrease in customers.

More significantly though, evidence from the interviews with other local business owners indicates that more of them (29%) viewed the changes that had been made at the sub-post office as being complementary to the goods and services that they were providing, rather than being in direct competition with them (14%). We can conclude therefore, that there is little evidence of significant local displacement effects as a result of the changes to the goods and services being provided by the sub-post offices. If anything, the changes have had a neutral or beneficial impact on other local businesses. This contrasts with the negative impact that closure of the sub-post office would have had on other local businesses; evidence from the four closure case studies indicates that over a quarter of other businesses suffered a decrease in sales turnover following the closure of the local post office.

7.1.3 Impact on the local community

The survey and case study evidence demonstrates a number of impacts on local communities. Two thirds (67%) of general public customers surveyed felt that the DUPOF alterations had improved their access to goods and services; business users were less impressed, however, with less than half (46%) feeling that the quality and range of services had improved. Only a fifth (22%) of customers surveyed had made use of the new services, with general public respondents more likely to use them (24%) than business respondents (15%).

More than half (56%) of general public users agreed that they were now more likely to meet people they knew in the post office than before the DUPOF improvements, with 44% feeling strongly about this issue. The closure case studies in particular confirm the extent to which local branch post-offices are valued by local people and businesses, and the importance of a nearby post office branch for the elderly and those with disabilities in particular. Most ex-users said that closures had had a negative impact on the sense of community, while most no longer saw people they knew as a result of local closures. The negative impact of branch closures was particularly felt by the elderly and less mobile. Finally, three quarters of those customers surveyed for the DUPOF case studies said they would be 'very' or 'fairly' inconvenienced if their post office were to close in the future.

7.1.4 Evidence of the additionality of DUPOF

Evidence of the additionality of the programme is provided by the large proportion of sub-postmasters (58%) in the first survey who said that they would not have gone ahead with the improvements without the grant assistance and a further 22% who would have gone ahead but on a reduced scale. With regard to risk of closure, at the time of the first survey, the vast majority of sub-postmasters (94%) thought that the improvements and subsequent (or anticipated) improved business performance had been sufficient to prevent closure, although by the time of the follow-up survey this proportion had dropped to 78%.

As previously noted, it is important not to lose sight of those particular cases where diversification efforts appear to have been less successful, and also evidence from the follow-up survey of a tailing off of the 'DUPOF effect' in terms of customer numbers and business performance. The latter may be a combination of more realistic performance estimates given by sub-postmasters following the longer period of time since completing the alterations, and also the fading away of what may have been an initial 'novelty effect' of the refurbishments on local people. The reasons for poorer performance are clearly important, since these cases detract from the additionality of the scheme. An understanding of those cases where diversification efforts have not been followed by the expected improvement in business performance, moreover, would seem to be at least as valuable in terms of informing efforts to revitalise small business in deprived neighbourhoods as are the 'success stories'.

7.2 Implications of the study for policy and small business in deprived urban areas

7.2.1 Sources of funding for investment

Analysis of the survey and case study findings confirms that the degree of positive impact is strongly associated with the size of the grant and the scale and nature of the improvements undertaken. Analysis of the applications database shows that DUPOF grants have constituted 85% of the estimated total project costs, with limited funding coming from sub-postmasters

themselves or other public or private sources. Of the small number (12) of unsuccessful applicants that were interviewed, slightly less than half were undertaking some of the improvements proposed under DUPOF using their own capital and/or other sources of funding but at much reduced scales in most of these cases. Of those that had not pursued any alternative action, some were considering making improvements if they could find the funding while four appeared resigned to eventual closure. Several business advisors interviewed, moreover, expressed the view that the scale of the problems in the deprived areas substantially inhibits business/commercial potential (i.e. making it particularly difficult to develop a business case to underpin borrowing for investment purposes), a key factor here being the limited purchasing power of people living in the most deprived neighbourhoods.

This suggests that the longer term profitability and viability of all currently remaining sub-post offices in deprived areas is not necessarily assured, especially given the heavy dependence of significant diversification efforts so far on external sources of grant funding.

7.2.2 Strategies for diversification

Diversification efforts appear to have been most successful where the expanded activities were complementary to the existing PO and retail services offered and also to those offered by other local businesses. At the same time, however, there are marked variations in impact between assisted sub-post offices, this being particularly apparent from the further analysis of the case studies presented in chapter 5. Such variations were broadly explained by reference to the nature of the improvements made, as previously noted, and also the local contexts within which sub-post offices have to compete for customers.

The local context of branches has important implications for strategies for diversification and the extent to which sub-post offices are able to:

- (a) effectively compete for customers with other businesses offering similar goods/services (i.e. on the basis of improved visibility and appearance of the retail environment, cost, convenience of service provision, or better quality of goods stocked); or
- (b) identify market niches and unmet needs (particularly 'needs' which are backed up by local purchasing power) such that new or extended services are complementary rather than competitive with other local (particularly small) businesses.

With regard to PO related business, both survey and case study evidence points to the role of recent branch closures and associated migration of post office customers as a factor in the improved performance of some DUPOF assisted branches at least. Some sub-postmasters commented specifically on how the refurbishment and upgrading of their facilities, including the installation of new equipment and counters, had been essential for them to cope with increased customer numbers resulting from nearby branch closures. Hence the long term impact of the DUPOF on the viability of the PO network in deprived urban areas needs to be assessed in relation the Urban Network Reinvention Programme.

Analysis of the case studies further suggests the extent to which performance can be enhanced by the proximity of the branch to other local shops and also public services which can contribute to their being a critical mass of customers in the immediate locale. In support of this, survey evidence shows businesses to be a growing category of post office customers, while case study evidence shows how some branches have successfully targeted employees and/or students or school children in nearby public services, such as hospitals, schools and

so on (as large private sector organisations are much less likely to be located in deprived neighbourhoods). A note of caution here is that those more isolated branches which are unable to benefit from such locational opportunities may, nevertheless, be fulfilling a valued role in the community, particularly for the elderly and less mobile residents in deprived neighbourhoods, despite the more limited purchasing power of such customers. With regard to the latter point, a number of sub-postmasters pointed out that new PO financial products were less likely to be taken up by residents on low incomes.

For branches which are in close proximity to other retail and service businesses a key consideration is the extent to which diversification raises the level of local competition or is complementary to what is already offered by other local businesses. Greater competition is generally viewed as positive and to be promoted insofar that it increases consumer choice and acts to regulate prices; hence a number of studies have referred to the limited number of retail outlets in deprived areas leading to restricted choice and inflated prices for what is available, particularly for those less able to travel. On the other hand, increasing levels of competition in local economies also entails loss for some actors at least; hence displacement effects may involve existing small businesses, which may already be on a marginal footing, losing customers and income. At the same time, there has been growing concern of the effects of the increasing dominance of large retail/service chains and the extent to which this has allegedly contributed to the demise of small independent businesses and loss of diversity in local economies across the nation.¹⁰ Indeed, many of the interviewed sub-postmasters referred to having experienced increasing competition from supermarkets and petrol stations offering services similar to those traditionally offered by sub-post offices. Some of these sub-postmasters viewed this as 'unfair competition' (e.g. some respondents commented specifically on what they understood was the practice of some supermarkets to sell some lines, such as newspapers and magazines, at a loss). Hence, although the UNRP has contributed to reducing competition in the PO network, broader trends in the retail sector that have been occurring over a number of years appear to have limited the potential for post office diversification in some locations at least.

Small business survival strategies in such contexts may include longer opening hours supported by the flexible/'informal' use of labour provided by family members, as has particularly been observed in studies of ethnic minority business concentrated in inner city locations and/or markets that are highly competitive.¹¹ It is worth noting here that many sub-postmasters who were positive about the improved prospects for their business following the DUPOF alterations, nevertheless identified longer working hours and related stress as a less welcome impact on themselves, their partners and families.

¹⁰ See, for instance, Simms, A., Kjell, P. and Potts, R. (2005) *Clone Town Britain*, New Economics Foundation, London.

¹¹ Ram, M. and Jones, T. (1998) *Ethnic minorities in business*, Small Business Research Trust.

7.3 Practical lessons for post office diversification

There is no simple, generally applicable formula that will guarantee successful diversification for sub-post offices. However, as well as the contextual factors previously identified, an important positive influence in successful cases has been the motivation and commitment of the sub-postmasters themselves and their apparent responsiveness towards, and willingness to learn from, credible external advice when it is offered. Although sub-postmasters have varying levels of competence, business knowledge, and confidence, their strength is a distinctive combination of a public service ethic and a particular patience with dealing with customers on the one hand, alongside qualities more associated with entrepreneurship and small business on the other – cogently summarised by one business advisor interviewed as *“a mix of the civil servant and the entrepreneur.”*

Following from the above, the experience of DUPOF and insights from the evaluation study have informed the development of a *Good Practice Guide for Post Office Diversification* (Appendix V). This is aimed at helping sub-postmasters who have not had the benefit of DUPOF to diversify and expand their activities in order to improve the long-term viability of their businesses and the contribution they make to local communities. The Guide, which is the main output from this study with direct practical application, does this by providing:

- A framework for stimulating creative thinking about how to approach and plan for diversification that is also realistic with respect to constraints and obstacles that variously affect sub-postmasters and the potential of their businesses in different contexts;
- Practical suggestions for dealing with specific issues typically encountered when planning and implementing change, including with respect to selecting contractors and suppliers, planning and regulatory requirements, the timing and co-ordination of tasks and so on; and
- Recommendations with respect to sources of information, advice and support and how to access them, including from their Sales Account Manager (sub-postmasters' first point of contact with the Post Office), the local Crime Reduction Partnership, the National Federation of Sub-postmasters and various sources of business advice including Business Link.

Although practical advice derived from the specific experiences of DUPOF applicants is one aspect of the Guide, rather than ready made 'solutions' emphasis is given to the need for an alert and questioning stance on the part of sub-postmasters, their access to and potential to apply knowledge (i.e. of their local business environment and needs of the community), and a general orientation towards learning, including from customers and other stakeholders in the business.